

Bringing Priorities in Order

A holistic neighborhood revitalization strategy to reduce the unemployment rate of the Pico Union Area of the City of Los Angeles by creating alternatives to criminal activities.

Claudia M. Lima
School of Community Economic Development
Southern New Hampshire University
Project: Bringing Priorities in Order
Advisor: Reginald Deon Chapple
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“Not only is the pathology of the ghetto self-perpetuating, but one kind of pathology breeds another. The child born in the ghetto is more likely to come in to the world of broken homes and illegitimacy; and this family and social instability is conducive to delinquency, drug addiction, and criminal violence. Neither instability nor crime can be controlled by police vigilance or by reliance on the alleged deterring forces of legal punishment, for the individual crimes are to be understood more as symptoms of the contagious sickness of the community itself than as the result of inherent criminal or deliberate viciousness.”

Kenneth B. Clark, *Dark Ghetto*¹

“Children are the living messages we send to a time we will not see.”

Neil Postman, *The Disappearance of Childhood*²

¹ Clark, Kenneth B. *Dark Ghetto*. Dilemmas of Social Power. Wesleyan University Press.

² Postman, Neil. *The Disappearance of Childhood*.

Table of Contents

List of Tables and Figures	... Page 4
Abstract	... Page 5
I. Community Context	... Page 15
Community Profile	... Page 15
History & Background	... Page 20
Community Needs Assessment	... Page 32
Project Target Community	... Page 46
II. Problem Statement and Analysis	... Page 65
III. Literature Review	... Page 97
IV. Project Design/Logic Model	... Page 113
V. Methodology and Implementation Plan	... Page 120
VI. Monitoring Plan	... Page 138
VII. Sustainability Plan	... Page 140
VIII. Conclusion and Recommendations	... Page 141
IX. Bibliography	... Page 145

List of Tables & Figures

Forms of Capital Table	... Page 6
Zip Code and Street Map	... Page 48
City of Los Angeles Map	... Page 50
Project Area I and Project Area II Maps	... Page 50
Percent Minority Table	... Page 51
Median Family Income and Poverty Table	... Page 51
Demographics by Zip Code	... Page 52
Age Distribution	... Page 53
Educational Attainment	... Page 53
Educational Success	... Page 54
Demographics by Census Tract	... Page 55
Annual Income	... Page 56
Placemaking vs. Rebranding Table	... Page 59
Forms of Capital Table	... Page 67
Los Angeles Police Department Gang Injunction Map	... Page 79
Community Reinvestment Act (CRA) Qualified Lending	... Page 82
County Business Patterns	... Page 83
Establishments by Employment Size	... Page 84
Pico Union Business Survey	... Page 91
Credit Enhanced Funds	... Page 94
Project Logic Model	... Page 116
Implementation Plan	... Page 131
Budget Phase I	... Page 134
Budget Phase II	... Page 136

Abstract

The Bringing Priorities in Order (BPO) project is a holistic neighborhood revitalization strategy to reduce the unemployment rate and high crime incidence of the Pico Union Area of the City of Los Angeles by creating income producing strategies that will provide alternatives to income producing criminal activities. The problem this project will address is the high unemployment rate in the Pico Union Area which appears to correlate with the high crime rate since many of the youth and young adults in the area are unemployed or underemployed and therefore may turn to criminal activities to earn income to survive.

The unemployment rate in Pico Union is 12.94%, more than twice than the Los Angeles County and California which is 6.2% and 6.4%, respectively³. While, this rate is very similar to the unemployment rate at the City level, approximately 51% of the Pico Union population is not part of the labor force compared to 40% citywide. This group is therefore not counted in the unemployment rosters. The high incidence of unemployment is therefore higher once the uncounted population is included.

The project's longer term outcome is a reduction of unemployment and crime by creating alternatives to illegal/illicit revenue generating activities. The longer term outcome will be accomplished through a two-prong strategy – first is small business creation and growth and second is improving human capital. The first is to spur the creation and growth of small businesses to help them create entry level jobs for the local youth. The second strategy is to improve the human capital of the indigenous population

³ The figures are based on 2008 statistics. As of March 2009 preliminary unadjusted unemployment figures, California's unemployment rate was 11.9%. The County of Los Angeles had an unemployment rate of 11.3%, Employment Development Department, Labor Market Information Division. <http://www.calmis.ca.gov/file/lfmonth/countyur-400c.pdf>

so that they can improve their success at securing living wage jobs, professional level employment and/or entrepreneurship.

Strategies include improving the delivery of K-12 education, higher education and workforce training to prepare a better workforce for living wage jobs and to increase the creation and growth of small businesses so that in turn, they can create jobs. The goals included in the BPO holistic approach incorporate five important forms of capital, listed as follows:

1. Human Capital (H): An individual's investment in personal productivity, which is a person's ability to add value by doing work. Education and work are the basic forms of human capital ⁴ .
2. Social Capital (S): Ownership of class-derived social relationships or earned relationships that facilitate social networks ⁵ . Social networks and relationships that enable people to act collectively ⁶ . Refers to the sense of commitment that induces people to extend favors, expect preferential treatment, and look out for one another's interest ⁷ .
3. Political Capital (P): Political mobilization that generates economic resources ⁸ . Ethnic based notions of trust, cooperation, and shared fate that yield economic resources ⁹ .
4. Economic Capital (E): Financial capital or money ¹⁰ , economic resources.
5. Cultural Capital (C): Ethnic norms and customs that create the identifying differences of an ethnic group or culture ¹¹ which captures the cultural vitality ¹² or cultural activities of an area, ethnicity, or race.

$$H + S + P + E + C = \text{Revitalization}$$

The area of Pico Union is a neighborhood located in the City of Los Angeles within the Westlake Community Plan Area (WCPA) and adjacent to a newly named area of

⁴ Light, Ivan and Gold, Steven. Ethnic Economies. Page. 87.

⁵ Ibid. Page 96

⁶ Jackson, Maria Rosario. Art and Cultural Participation at the Heart of Community Life. Pg. 104.

⁷ Light, Ivan and Gold, Steven. Ethnic Economies. Page 110.

⁸ Ibid. Page. 124

⁹ Ibid. Page 122.

¹⁰ Ibid. Page 85.

¹¹ This definition differs by the one used Pierre Bourdieu, which states that Cultural Capital is a class endowed type of capital.

¹² Jackson, Maria Rosario; Kabwasa-Green, Florence; Herranz, Joaquin. Cultural Vitality in Communities: Interpretation and Indicators. Cultural Vitality is defined as follows: The evidence of creating, disseminating, validating and supporting arts and culture as a dimension of everyday life in communities. Pg. 13.

Downtown Los Angeles called Downtown-West. Downtown-West houses the Los Angeles Convention Center, L.A. Live Sports and Entertainment Complex, the Staples Center Arena and the Nokia Theatre.

The WCPA covers a 3.17 square miles area¹³ south of the Hollywood Freeway (Interstate 101), north of the Santa Monica Freeway (Interstate 10), Hoover Street on the West and the Harbor Freeway (Interstate 110) on the East¹⁴. The two areas are separated by the 110 freeway, a major interstate that cuts across and separates Pico Union from Downtown-West. The WCPA has the highest percentage of Central Americans and the highest population of Salvadorans outside of El Salvador. The Pico Union area is one of the neighborhoods within the WCPA made up of 17 census tracts. The BPO project will concentrate on a subsection of the Pico Union area made up of 8 of 17 census tracts or 0.885 square miles. The BPO area will cover the area bounded by Olympic Boulevard on the North, Washington Boulevard on the South, the 110 freeway on the East and Hoover Street on the West.

In the last decade, the Pico Union area has experienced drastic changes due to the successful revitalization of L.A. Live Sports and Entertainment (L.A. Live). The area has received significant amounts of public capital and subsidies including funds from the local Community Redevelopment Agency (CRA), Community Development Department (CDD) and other city departments, as part of a long term strategy that also included the rebranding of the area, now called Downtown-West. The public subsidies leveraged capital from private sources which have revitalized the area. However, the positive changes experienced in the Downtown-West area in the form of appreciating real estate,

¹³ Los Angeles Department of City Planning. <http://cityplanning.lacity.org/dru/Loc/LocPfl.cfm?&geo=cp&loc=Wlk&yrr=Y08>

¹⁴ Westlake Community Plan. A Part of the General Plan – City of Los Angeles. www.lacity.org/PLN

addition of services and reduction of crime, has not benefited the mostly immigrant low income population of the adjacent area of Pico Union area since the majority of the population are renters and not homeowners. Therefore, the asset appreciation is being felt in the form of increased cost of goods and services and housing displacement.

While the adjacent area has experienced significant revitalization, the Pico Union has not. It still suffers from high unemployment, high crime and limited opportunities to improve the socio-economic status of its residents. The average median family income of the 8 census tracts that make up the BPO area is 39.2% which is much lower than the Los Angeles County and State of California Median Family Income of 89.26% and 100.21%, respectively. Approximately 43% of the population of Pico Union live below the poverty line compared to 14.6% and 12.4% at the Los Angeles County and State of California level. Partly due to the low earning potential of the population.

Factors that may affect the low earning potential and the high unemployment rate are lack of skills and low educational attainment levels due to high dropout rates. Based on the population 25 years and older, approximately 73.1% of the population has no high school diploma, compared to 33.7% at the City of Los Angeles level. Another disturbing statistic is that while male and female population is evenly distributed, approximately 73% of children under the age of 18 years live in families with female householders (no husband)¹⁵. This subset needs stronger support systems in the form of before and after-school opportunities where children can receive supervised attention, assistance with homework, and other healthy activities.

Since the area has a high immigrant population, much of the population are English learners. Given the low educational attainment, lack of skills and the fact that

¹⁵ U.S. Census Bureau. [www.census.gov](http://factfinder.census.gov/). <http://factfinder.census.gov/>

many are English learners, many of the jobs that are available to this population are minimum wage jobs. Therefore, many families live below the poverty line. Within the BPO area, only 46.9% of the population is U.S. born and/or Naturalized Citizens, which is the population that can vote. This number is much lower than the 72.9% at the City level¹⁶. Also, about 43% of the population lives below the poverty line compared to 14.6% and 12.4% at the Los Angeles County and California level¹⁷.

Given the low educational attainment and high immigration status, the area lacks strong political and social capital. For over 40 years, the stakeholders of Pico Union have organized at the grassroots level to bring positive change and with that have been able to bring resources to the area. However the resources have been minimal. One of the most nationally known examples of organizing in the area is the L.A. Live Sports and Entertainment District Community Benefit Agreement (L.A. Live CBA). Unfortunately, either because of lack of understanding, lack of information, and/or lack of resources, the agreement lacks measurable outcomes language, which makes it very difficult to legally enforce. Also, the agreement was inequitably biased towards the developer. The benefits that the developer received far outweighed the benefits that the indigenous people received. In the case of the L.A. Live CBA, the coalition agreed to such a massive project that economic market forces eventually took effect and shifted the economic and political climate of the area to the detriment of the indigenous population of the Pico Union area.

The huge capital infusions which have revitalized the area and the successful rebranding of the area have created a place that is desirable and is being marketed to

¹⁶ City of Los Angeles Department of City Planning: <http://cityplanning.lacity.org/DRU/C2K/C2KRpt.cfm?geo=tg&sgo=ct>

¹⁷ Federal Financial Institutions Examinations Council (FFIEC). 2007 FFIEC Census Report: Summary Census Demographic Information. Retrieved March 2008, from <http://www.ffiec.gov>

higher income households. While these effects are desirable in general for any revitalization strategy, they are unfortunately negative effects for the indigenous population since most are low and moderate income residents. In the areas surrounding L.A. Live, most of the indigenous population cannot afford the services and retail businesses within the L.A. Live complex because the services are catered to a higher income population.

Furthermore, the indigenous populations are being displaced by higher rents and more families have been forced to share housing as the rents keep escalating. The Pico Union area is being affected by gentrification. Other areas around L.A. Live that are experiencing gentrification include Vernon-Central, South Central, Skid Row, and Westlake areas are being affected by gentrification. In addition, while L.A. Live created many jobs, the surrounding area did not benefit from the job creation opportunities of L.A. Live. Lastly, the revitalization, increased spending capacity and increased sales that L.A. Live enjoys has not benefited the small businesses in the Pico Union area.

More recently there has been an overall decrease in real estate prices. But before the economic crisis of 2008, the area of Pico Union saw an increase in the real estate due to purchases being done by investors and real estate speculators. This is especially the case in the census tract adjacent to the L.A. Live project. Furthermore, while small business capital has historically been scarce in the Pico Union area and investors have been interested in the area for reasons outside of the merits of the area within, there are strong possibilities to attract outside investments for merits that will directly benefit the target area and the indigenous population. According to Michael Porter in "A Competitive Advantage of the Inner City", a sustainable economic base can be built in the inner city

only if it is based on economic self-interest and genuine competitive advantage¹⁸. Furthermore, the inner city would never revive unless effective programs that exploit its competitive advantages are introduced¹⁹. Therefore any strategies to be introduced in the area need to align with market forces and existing local competitive advantages.

The area has experienced drastic market changes, due to both internal and external factors, therefore in order for the BPO strategies to work, the five forms of capital need to be introduced. However, the most important, economic capital is needed to fund the area's holistic revitalization strategies. Without economic capital, many of the other strategies cannot be accomplished. Therefore, one of the main core arguments of the BPO strategy is to increase access to capital by ensuring that funders such as Conventional Banks, Philanthropic Foundations, Community Development Financial Institutions²⁰ and other Community Development Lenders²¹ view Pico Union as a worthy area for capital infusion for lending to small businesses, community facilities and nonprofit organizations.

Capital attraction for the areas will be accomplished through a three pronged strategy. First, using economic incentives such as credit enhancements that can be used to fund top losses in funds or loans to reduce the perceived risk of the proposed investment. Second using financial vehicles to increase the internal rate of return (IRR) of the investment. Lastly, using Placemaking strategies to change the perception of the

¹⁸ Porter, Michael E. *Jobs, Wealth or Place: The Faces of Community Economic Development*. Edited by Sherraden, Margeret & Ninacs, Williams A. *Community Economic Development and Social Work*. Community Economic Development and Social Work. 1995. Pg. 11-27. The Hayworth Press, Inc.

¹⁹ Hoffman, Alexander Von. *House by House, Block by Block: The Rebirth of America's Urban Neighborhoods*. 2003. Oxford University. Pg. 237.

²⁰ CDFIs are specialized financial institutions that provide financial services to people and communities that are underserved by the traditional financial services industry. They provide loans, investments, and basic financial services to help individuals and families become self-sufficient and to revitalize low-income communities. Definition from Opportunity Finance Network.

²¹ Include Community Development Banks, Community Development Credit Unions, Community Development Loan Funds, and Community Development Venture Capital Funds.

area internally and externally. Placemaking will assist in changing the perception of the area from a high risk/high crime area to that of an area worthy of investment..

Placemaking embraces the formation of community with the indigenous population rather than creating a new community by pushing out the existing population and attracting a new population. Therefore, a successful Placemaking strategy needs to include the creation of a cohesive community. In order to create a sense of cohesiveness, the overall community needs to embrace the existing cultural richness and cultural vitality that already exists in the area as a way to create a sense of pride within the population and among the stakeholders of the community. The change of perception from external parties will occur only after the perception within the community changes. The strengths, community richness and cultural vitality of the area need to be embraced by external stakeholders in order to induce them to invest in the area and increase the number of capital delivery prospects for the area.

Several local areas have enjoyed successful Placemaking strategies such as the Little Tokyo area, the Boyle Heights area of East Los Angeles and the MacArthur Park area. All three emphasized the cultural richness of the area together with implementing place-based revitalizing strategies for the benefit of the indigenous population. However, Placemaking can only be possible, if there is strong social capital in the area, strong coalitions and a strong local stakeholder base. While the area of Pico Union has enjoyed a long history of organizing, the area still lacks strong partnerships.

Therefore, it is important to facilitate the formation of new and existing coalitions among non-profit organizations which can help influence the legislative decisions and decision makers that can exert their power to assist in bringing resources to the target

group and target area. While the objective is to increase economic capital to improve the area's human capital and ultimately create alternatives to criminal behavior, it can only be accomplished after the existing cultural, political and social capital is strengthened through the formation of a more cohesive community.

Since the BPO project takes a long-term place-based holistic approach, the outputs and outcomes have yet to be realized. However, all the major activities have been completed and are included in the report in four major areas:

- 1) Credit enhancement vehicles and financial vehicles to increase the internal rate of return have been researched and identified. Credit enhancements can be used to reduce the perceived risk of the proposed investment. There are also financial vehicles to increase the internal rate of return of the investment for the investors. Best practices of loan/investment funds have also been identified which can be used as models for a possible structure of a place-based loan/investment pool for the area. However, a deeper analysis of these best practices needs to be completed in order to evaluate their potential impact and applicability to Pico-Union;
- 2) Industry clusters and high growth areas have been identified to implement job training programs. A deeper assessment of the skills gap analysis needs to still be completed to identify skills gaps that exist in the area and how they match with the jobs needed within the industry clusters. A subsection of the identified skills gap of the industry clusters/high growth areas will be developed into training programs;
- 3) Major strengths and weaknesses of the local ethnic economy and existing networks have been identified. These findings are essential in understanding the

community and to assist external parties understand its strengths and to work on mitigating its weaknesses;

- 4) Potential delivery systems to implement the BPO project have been identified. However, the delivery systems do not have the staff, experience and resources necessary to implement the project. But through the creation of coalitions and partnerships with other entities and stakeholders serving the Pico Union area, the weaknesses can be mitigated. Coalitions may include organizations from Pico Union, Downtown West, Figueroa Corridor, East Los Angeles, Little Tokyo, Chinatown and the Community Development Lending community.

The host organization will be a coalition of nonprofit organizations. However, one organization will need to lead the coalition and will be the Clearinghouse that will establish and implement the BPO project. Three organizations have been identified and include Pico Union Housing Corporation as the Clearinghouse, the Community Development Technologies Center to assess the skills gap and work on the training programs and TELACU Community Capital as the CDFI.

The coalition envisioned will include child care service providers, charter schools, adult education schools, parenting classes' providers, community development financial institutions, conventional lenders, foundations, and the local government agencies such as City Council, Mayor's Office, Community Redevelopment Agency of the City of Los Angeles, Community Development Department, Building and Safety and the County of Los Angeles.

I. Community Context

Community Profile

The Pico Union area is a neighborhood located in the City of Los Angeles adjacent to a rebranded area of Downtown Los Angeles called Downtown-West. It is approximately two miles southwest of the Los Angeles Central Business District, and within half a mile of the Los Angeles Convention Center, L.A. Live Sports and Entertainment Complex, the Staples Center Arena and the Nokia Theatre. It is part of the City of Los Angeles Westlake Community Plan Area (Westlake Area) which covers an area of 3.17 square miles located south of the Hollywood Freeway (Interstate 101), north of the Santa Monica Freeway (Interstate 10), west of Hoover Street and east of the Harbor Freeway (Interstate 110)²². The Westlake area has the highest percentage of Central Americans and the highest population of Salvadorans outside of San Salvador, El Salvador (El Salvador's Capital)²³.

Pico Union is one of the communities of the WCPA and while the boundaries of Pico Union differ depending on the reporting entity or whether it is a public or private stakeholder, the most widely known boundaries are Olympic Boulevard on the North, Washington Boulevard on the South, the 110 freeway to the East and Normandie to the West. These boundaries make up 17 contiguous census tracts. The proposed project will concentrate on a subsection of this area which is made up of 8 of the 17 census tracts, about 0.885 square miles or 28% of the WCPA. The BPO area is bounded by Olympic Boulevard on the North, Washington Boulevard on the South, the 110 freeway

²² Westlake Community Plan. A Part of the General Plan – City of Los Angeles. www.lacity.org/PLN

²³ Rivera, Francisco. President of the Board, El Rescate. Interview on April 1, 2009.

on the East and Hoover Street on the West. These are the boundaries adopted by the Community Redevelopment Agency of the City of Los Angeles Project Area I and Project Area II.

The Pico Union area has recently undergone drastic changes due to the successful revitalization of the L.A. Live Sports and Entertainment Center (L.A. Live) and the rebranding of the area, now called Downtown West. The adjacent area of Downtown-West has received significant amounts of public capital as part of a long term revitalization strategy. It includes subsidies from the local Community Redevelopment Agency, Community Development Department and other City of Los Angeles departments to create the L.A. Live Sports and Entertainment Complex which houses major establishments such as the Staples Center and Nokia Theatre. The public subsidies the area received were successful at leveraging capital from private sources which have revitalized the area. The area now includes market rate lofts, a pedestrian friendly area of upscale restaurants and shops and many other amenities marketing to a higher income population. These were built in an area where affordable housing and low scale commercial districts serving the Pico Union residents formerly existed.

Pico Union shares the same story as the Mission District in San Francisco, California; Harlem in New York; several areas in Los Angeles, California and the Shaw Neighborhood in Washington D.C. that were ignored for decades thus suffering decay, until market changes in adjacent areas brought them back into the spotlight. Just like Shaw in Washington D.C. and the Mission District in San Francisco, the positive changes experienced in the adjacent areas caused gentrification and appreciating real estate which did not benefit the mostly immigrant low income population. Therefore, any asset

appreciation is felt negatively in the form of increased cost of goods and services and housing as well as housing displacement. As of May 2007, home prices had soared over 300% from 2002 to 2007²⁴. The price in home appreciations translates into an increase in rental rates for the population.

While historically there have been fair amounts of public capital invested within the Pico Union area for affordable housing and even for short term social service programs, the area has experienced an extreme lack of access to capital to grow small businesses. By assisting to grow, they can create jobs. Small businesses historically have been the largest creators of jobs nationwide as well as Los Angeles. According to Opportunity Finance Network, much of the growth in Los Angeles economy has been in the small business sector, especially in immigrant and ethnic owned business²⁵. According to Opportunity Finance²⁶ and the Small Business Administration²⁷, small businesses are the largest creators of jobs.

The area has also lacked significant investments for projects geared to increasing human capital. While recently the area in and around Pico Union has seen an increase in charter schools (about 38 as of 2009²⁸), the number of available slots for the residents of Pico Union pale in comparison to the need. While the 38 charters schools located within 3 miles of Pico Union serve more than 12,000 students, the local schools still suffers from

²⁴ Business Week, March 6, 2007. http://www.businessweek.com/bwdaily/dnflash/content/mar2007/db20070306_429975.htm

²⁵ Abramowitz, Adina, Edwards, Bryony, Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance. 2005. Pg. 3.

²⁶ Abramowitz, Adina, Edwards, Bryony, Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance. 2005. Pg. 3.

²⁷ Fairlie, Robert W.. Estimating the Contribution of Immigrant Business Owners to the U.S. Economy. Small Business Administration Office of Advocacy. November 2008. Pg. 10 and 16.

²⁸ Within 3 miles of zip code 90006. Greatschools.org. http://www.greatschools.org/cgi-bin/cs_compare/ca/?level=e&area=m&zip=90006&miles=5&lat=34.045818&lon=-118.290337&sortby=school_type&tab=over&begin=30

overpopulation in the respective campuses. Many of the local schools have close to 40 students per classroom and over 2,000 students in a campus.

The area also enjoys a fair amount of support from the area's local, state and federal politicians. While the area may enjoy this type of political capital, there exists no holistic approach to revitalize the area to benefit the indigenous population. Since municipalities at the local, state and/or federal level control different resources, the strategies that have been implemented by each have been piecemeal and mostly affordable housing based. The area has seen the delivery of resources for housing via the Low Income Housing Tax Credit and Section 8 programs, but minimal resources delivered to increase human capital.

In order to bring more resources, the current social and political capital needs to be strengthened through the formation of new coalitions and partnerships or by strengthening existing coalitions and partnerships. Most of the partnerships within the BPO area are affordable housing and health education driven with few place-based holistic approaches. Most coalitions have been formed around a single issue and are geared to individual agendas by the leading non-profit group or agency.

One example is the coalition that was formed to make the Pico Union area into a Historical Preservation Overlay Zone (HPOZ). While many of the nonprofit agencies were sold on the idea that it would improve the area, the leading agency's ultimate goal differed from the partnership organizations. The HPOZ preservationist stakeholders were interested in preserving the architectural significant buildings which increases the cost of development and causes gentrification. This makes it more difficult for nonprofits interested in delivering affordable housing to build it cost effectively.

Another problem, is that there are many grassroots non-profit entities located in the Pico Union area that prefer not to partner with other agencies because they are competing for scarce resources which come in the way of public contracts, foundation or corporate grants. Therefore, in order to increase the political capital of the area, the existing social, cultural and political capital needs to be networked in order to influence the legislative decisions and decision-makers that can exert their power to assist in bringing resources to the target group and target area.

Finally, in order to accomplish the described strategies, one key piece of the project is to ensure that funders such as Conventional Banks, Philanthropic Foundations, Community Development Financial Institutions and other Community Development Lenders view Pico Union as a worthy area for capital infusion for investing in small businesses, community facilities and nonprofit organizations. This type of collaborative financing has worked in Pico Union for issues such as affordable housing and to deliver some social services. Both of which require multi-layers of funding and public-private partnerships. A similar partnership can be forged to extend the capital delivery to small business, community facilities and non-profit organizations.

The strategies also include creating vehicles to minimize the perceived economic risk of making investments in business creation and business growth, community facilities investment (education, child care, and health care). There are also strategies that will change the area's perception from a high risk area to an area worth investing in. This can be accomplished through Placemaking strategies. Placemaking emphasizes the importance of including the indigenous population in the revitalization plans to improve their socio-economic status rather than pushing them out and replacing them with a

higher socio-economic population. This strategy has proven successful with ONE DC (Organizing Neighborhood Equity)²⁹ in the Shaw neighborhood of Washington D.C.; the Dudley Street Neighborhood Initiative³⁰ in Roxbury, Massachusetts and Fruitvale³¹ in Oakland, California. The goal is to attract outside investment for small businesses creation/growth and other community projects that create human capital to help the indigenous population increase their socio-economic status.

Pico Union History, Background, and Redevelopment Policies

The Pico Union District was once considered a wealthy area and was part of the larger area called Pico Heights. In the late 1800s, Los Angeles civic builders built their homes in the area along with education establishments, such as the Loyola Preparatory School, formerly the original site of Loyola University, which today is known for its prestigious Law school. The Pico Union area also had one of the first Country Clubs of Los Angeles, which was located on the corner of Pico Boulevard and Alvarado Boulevard³², which is right in the heart of the BPO target area.

By the beginning of World War I, the founding population mostly of European descent had left the area after the launch of the Owens River Project in 1941, which was contracted to provide water for the City of Los Angeles. Many left to take advantage of the cheap land that was sold on the west side and the San Fernando area. As a consequence, the area underwent its first demographic shift and the area received its first

²⁹ One DC website. <http://www.onedconline.org/>

³⁰ Dudley Street Neighborhood Initiative website. <http://www.dsni.org/>

³¹ U.S. Department of Transportation- Environmental Justice website.
<http://www.fhwa.dot.gov/environment/ejustice/case/case6.htm>

³² Hutchinson, Judy M. Proximity without Community: A study of Social Capital, Survival Networks and Community Building in the Pico Union Area of Los Angeles. Dissertation submitted for the school of Urban Planning of UCLA. 1999.

Middle Class and blue-collar working class. Eventually, this group was also lured by the cheap land prices in the expanding City of Los Angeles³³. This shift along with immigration laws of the 1960s caused Pico Union to see the first wave of immigrants.

The passage of the immigration laws of 1965 brought a huge influx of Japanese, Chinese, Koreans and Philippines as well as a massive influx of people from Latin America, with the majority of Mexican descent. At that time, while the African American population was moving south, Mexican immigrants and their descendants were moving into East Los Angeles and other areas such as Highland Park, Lincoln Heights and Boyle Heights. After 1970 this population began to expand westward and created enclaves such as Pico Union and Pacoima³⁴.

Policy decisions also affected the shift in demographics of the Pico Union area. After World War II, due to the discrimination towards the Japanese, this group settled in the vicinity, and when urban renewal displaced a significant number of Mexican Americans in East Los Angeles in the early 1950s, many moved to the Pico Union area as well³⁵. Also, during the late 1960s and early 1970s, Pico Union residents suffered from a shift in the makeup of the neighborhood after zoning changes were implemented by the City of Los Angeles from residential to mix commercial/industrial. As a consequence of the zoning changes, many residents were displaced to make room for the Los Angeles Convention Center and later the Pep Boys mini industrial center³⁶.

The name Pico Union was coined in the late 1960s when a group of citizens organized to get the attention of then Councilman Tom Bradley's to demand a change in

³³ Ibid.

³⁴ Hoffman, Alexander Von. *House by House, Block by Block: The Rebirth of America's Urban Neighborhoods*. 2003. Oxford University Press. Pg. 212.

³⁵ Ibid.

³⁶ Pico Union Housing Corporation website: <http://www.puhc.org/story.html>

the zoning decisions that were being made to the area that were displacing the residents. The name identifies with its main busy intersection, Pico Boulevard and Union Avenue. Many residents confronted the change by organizing the community and demanding affordable housing, job creation and services for youth³⁷. As a response to address the resident's concerns, in 1970 and 1976, the City of Los Angeles declared Pico Union a redevelopment area of the Community Redevelopment Agency. According to the Redevelopment Plan for Pico Union 1³⁸ and Pico Union 2³⁹, the plans called for improvements of the commercial pockets, affordable housing for seniors and families, façade improvements, assistance to business and reduction of crime.

Since the era of Urban Renewal which includes War on Poverty, Community Action Plan and Model Cities, neighborhood revitalization is a term that has been used in one form or another to accomplish similar strategies including improvement of neighborhoods that are viewed or perceived to be decaying or those that are considered to have decayed or blighted. However, historically the redevelopment program and the powers that are bestowed on it have been used to revitalize the area without any account to the indigenous population. As has been the case by the various projects that have taken place within Pico Union. Historically, these programs were used by government in areas that were declared 'decayed' or 'blighted' as a way to accomplish political agendas to justify the removal of indigenous populations that were viewed as undesirable.

The Urban Renewal program was ended in 1974 at the federal level, and was shifted to the states and funded through the Community Development Block Grant funds

³⁷ Where We've Been. Marketing material provided by Pico Union Housing Corporation.

³⁸ Los Angeles Community Redevelopment Agency. (February 27, 1970). Pico Union Redevelopment Project, Area No. 1 Redevelopment Plan.

³⁹ Los Angeles Community Redevelopment Agency. (November 4, 1976). Pico Union Redevelopment Project, Area No. 2 Redevelopment Plan.

but it was further delegated to local government agencies in charge of redevelopment⁴⁰. In Los Angeles, the Community Redevelopment Agency was formed. In the 1980s because of Proposition 13, which capped property taxes, relying on revenues from redevelopment took off as a way to help state budgets create revenue to offset the revenue that was lost due to the reduced property taxes limited by proposition 13⁴¹.

This became important to Local and State governments because Redevelopment changes how tax revenues are paid out. Before Proposition 13, regular property tax revenue flowed to the County with a portion of the revenues shared with the local jurisdiction. After the passage of proposition 13, the County could no longer afford to share the resources, so the property tax revenue was no longer shared with the city jurisdictions. With redevelopment tax revenues, part of the revenue generated stays at the local jurisdiction. This is what is called a “Fiscalization of Land Use” – municipalities exercise their regulatory power over land as a way to create tax revenues⁴².

When redevelopment law was shifted to the State level, the powers were also reformed. The new law included relocation assistance; mandated new housing to be built to replace the units lost due to redevelopment, and most importantly, required public participation in the form of project area committees or community advisory councils⁴³. But as with the prior urban renewal programs, it still created incentives for municipalities to “declare an area as blighted”⁴⁴. A municipal agency declares an area as blighted and then works with private investors to come up with a public/private partnership to “improve

⁴⁰ Simon, William. *The Community Economic Development Movement*. Duke University Press. 2001. Pg. 9.

⁴¹ Ibid. pg. 10.

⁴² Ibid. pg. 10.

⁴³ Lee, Mary. *Law and Community Economic Development*. December 2008.

⁴⁴ Simon. pg. 10.

the area”⁴⁵. The declaration of the area as blighted provides certain powers to the municipality such as eminent-domain and land-use regulation⁴⁶. These powers were used in the construction of the Convention Center, the Pep Boys Mini-Industrial Center and L.A. Live. The goal was to increase the property tax base.

While the developer enjoys many of the benefits provided through subsidies, tax incentives and other financial breaks, the economic returns of these redevelopment investments are small or negative with regressive distributive effects⁴⁷ to the indigenous populations. This is evidenced by the redevelopment subsidies into the adjacent area of Downtown West for the L.A. Live. The result that often accompanies this type of revitalization is the destruction of community both in sense and place, which affects the social and cultural space of the indigenous population.

A term coined from the negative effects that redevelopment policy created is “Negro Removal”, which is the displacement of low-income minority people by destroying rental housing or commercial buildings used by the low-income population and replacing it with higher income housing or services targeted to higher income populations⁴⁸. Which is what occurred in the area which now houses L.A. Live as well as the area that houses the Convention Center and the Pep Boys Mini-Industrial Park. The term Negro Removal addresses the displacement of all minorities since historically urban renewal affected many different races and ethnicities, as seen in the redevelopment of Chavez Ravine which is the location where the Dodger Stadium and the LAPD Academy location are located; Bunker Hill which created new corporate skyline of Los Angeles and the old

⁴⁵ Simon. pg. 8.

⁴⁶ Lee, Mary. Lecture on Law and Community Economic Development. December 2008.

⁴⁷ Simon. pg. 9.

⁴⁸ Simon, William H. The Community Economic Development Movement: Law, Business & The New Social Policy. 2001. Duke University Press. pg. 9.

Chinatown which is now called the Cornfields and is part of the new L.A. River Project) of Los Angeles.

While in general, the main objective of revitalization is to bring bankers, private entities, community organizations, regulators, tax officials, developers and residents into coalitions⁴⁹ with the objective of jump starting capital investments, it unfortunately has destroyed communities. While there are many desired outcomes that come with revitalization such as asset appreciation, access to needed services and capital and reduction of crime, there is also room for negative outcomes when it is used by politicians and developers to improve a neighborhood for the sake of revenue without any concern for the indigenous residents as has unfortunately been the case in the Pico Union area.

The key to revitalization and redevelopment is to ensure that the negative outcomes are minimal for the indigenous population. When planning fails to include the needs or at least minimize the negative effects to the indigenous population, the population is displaced, either as part of the redevelopment, as when the redevelopment agencies exercises eminent domain, or by market forces, as is the case of gentrification. It has been commonly seen that while a neighborhood goes through revitalization which is positive, some of their most vulnerable populations, usually low and moderate income minorities are displaced through gentrification.

Gentrification⁵⁰ is a term used when a wealthier population returns to neighborhoods that previously experienced population flight because they were perceived as decaying or blighted. It occurs when the area changes from being perceived as a high crime, undesirable area to a low crime and desirable area. This usually occurs after huge

⁴⁹ Sleeper, Jim. Rebuilding the Ghetto Does Work. Shelterforce Online. Issue #74, March/April 1994. Pg. 2.

⁵⁰ What is Gentrification? POV – Flag Wars. Retrieved on November 22, 2008.
http://www.pbs.org/pov/pov2003/flagwars/special_gentrification.html

amounts of capital are infused into the area, which usually comes in the form of redevelopment subsidies that are used in most cases to improve the buildings and hard infrastructure. While the infusion of capital into hard infrastructure improves the aesthetics of the community, it also makes it more attractive and helps reduce the perceived risk of the area. The infusion of this early capital into project developments is done to create incentives for infusion of private capital and to bring services for the area. Eventually, the capital infusion turns the area around making it a more desirable place to live.

As the normal laws of supply and demand begin to take effect, the area's median incomes (from the new higher income residents that have moved in) and property values begin to increase as the area's limited resources in the form of land begin to be in higher demand. While these effects are good for any community, the unfortunate result of gentrification is that as wealthier people return after the area is perceived to be a more desirable place to live and the real estate prices appreciate, the cost of rental housing also increases. The higher cost of rental housing for the indigenous residents of the area, which are usually low and moderate income minorities, causes displacement for this population.

There are systems that are supposed to be incorporated as a way to induce and include community participation in redevelopment processes. Although redevelopment law requires community involvement through the formation of project area committees (PACs) which include residents, community organizations and businesses, the committee serves only as an 'advisory' committee; it does not have veto power for projects the PAC deems as undesirable for the community. When a PAC votes against a project, the law

calls for a two third approval by the redevelopment authority instead of the usual majority approval.⁵¹ However, a two-third approval “is not difficult to get by the redevelopment authority”.⁵²

Law and policy can be used as a gatekeeper, as a tool in community economic development and can become a precedent in law⁵³. Therefore, it is important that the community stakeholders shape policy by being more involved at the decision table. However, PACs, while an improvement from previous redevelopment law still falls short to protect the rights and to provide more equitable needs of the indigenous populations since the governance has limited ways of increasing the service delivery systems.

Another tool to shape policy around redevelopment is a Community Benefits Agreement (CBAs). CBAs are enforceable contracts that are negotiated between community groups, individuals, coalitions and developers and/or financial institutions which call for a range of benefits for the community stakeholders. CBAs are used between developers and community groups where the developer agrees to provide benefits as part of the development project⁵⁴. In theory, CBAs allow “for the community to be included in the planning process, it provides the possibility to exert pressure and extends the decision making to those outside of government”⁵⁵. In practice, it has been used as a tool to gain community support by providing minimal benefits to the community.

⁵¹ Simon. Pg. 11.

⁵² Lee, Mary. Law and Community Economic Development. December 2008.

⁵³ Ibid.

⁵⁴ Community Benefits Agreements (CBAs). The Partnership of Working Families. Retrieved November 22, 2008. <http://www.communitybenefits.org/article.php?list=type&type=39>.

⁵⁵ Ibid.

The first CBA in Los Angeles occurred as part of the Hollywood and Highland Project⁵⁶. However, the largest so far locally are the CBAs for the L.A. Live Sports and Entertainment Center and for the Grand Avenue Project, both in Downtown Los Angeles. While the redevelopment agency included a community participation process for the proposed plan by forming Coalitions of organizations, no individual members of the local organizations were notified, resulting in a plan that did not reflect the priorities or values of the indigenous population⁵⁷.

There are other important weaknesses of CBA's as well. While the organizing may begin at the grassroots level, the benefits being sought are skewed by the parties of the agreements, which are the members of the coalitions or groups. In most cases, in exchange for benefits for a community, the agreement may agree to such massive projects that market forces will eventually take effect and create gentrification in an area. Just as occurred in L.A. Live and the effect it has had on the areas surrounding the entertainment and sports district.

The capital infusions in the area have created a place that is desirable through rebranding and is being marketed to higher end households. The area's rebranding includes the slogan of the next "Times Square"⁵⁸ as a way to create desirability of place. In the areas surrounding L.A. Live, most of the indigenous population cannot afford the services and retail businesses within the development which are marketed to higher income populations. Furthermore, the indigenous populations are being displaced by

⁵⁶ Saito, Leland T. Economic Redevelopment and the Community Benefits Program: A Case Study of the L.A. Live Project, a Los Angeles Sports and Entertainment District. University of Southern California, Sociology Department and American Studies & Ethnicity Department. Draft: June 30, 2007. Pg. 12.

⁵⁷ Gibbons, Andrea and Haas, Gilda. Redefining Redevelopment: Participatory Research for Equity in the Los Angeles Figueroa Corridor. Figueroa Corridor Coalition for Economic Justice. September 2002.

⁵⁸ Saito. Pg. 3.

higher rents or are being forced to share housing. The areas surrounding L.A. Live have been affected greatly, including Pico Union, Vernon-Central, South Central and Skid Row.

While it is true that CBAs are legal contracts between the parties, unless there are covenants with explicit accountability language and benchmarks to measure the quantity, quality and timing delivery of the benefits called in the CBAs, the contracts will be difficult to enforce. That lack of accountability is what has made it very difficult to enforce the L.A. Live CBA. While the L.A. Live CBA has a monitoring body, which has done a great job at tracking the positive results created by the CBA, it is more of a passive role, keeping track of the accomplishments instead of demanding better performance of the CBA.

The L.A. Live CBA included input from an organized grass roots coalition. However, due to lack of resources and information, the benefits that the developer received far outweighed the benefits that the indigenous people received. The covenants should have reflected the needs of the community so that the CBA can be a true enforceable revitalization vehicle for the community. Michael Woo, former City Council member states that the two CBAs affecting Los Angeles (L.A. Live and Grand Avenue Projects) were in the most part “developer driven and show how developers still shape public policy”⁵⁹.

In both cases, the developer initiated the negotiations, with the motive to avoid a drawn out conflict that may have the negative effect of delaying the project⁶⁰. While it may be a fact that developers along with municipalities are still shaping public policy around CBAs and redevelopment projects, the fact that developers begin the negotiations shows the accomplishments that organizing into coalitions at the community levels has

⁵⁹ Woo, Michael. 2007. Interview by Leland Saito. Los Angeles, March 19. Found in Saito Pg. 22.

⁶⁰ Saito. pg. 34.

done around CBAs. While the L.A Live CBA was an exceptional advancement to the field, there are many lessons that have been learned from the CBA as well. One is the fact that the L.A. Live CBA may prove to be difficult to enforce. Another is that CBAs should be driven by the community stakeholders and not the developers. This will ensure that the needs of the community are represented fairly in the agreement and thus will contain sufficient enforceable covenants to make it a powerful tool. Coalitions must keep learning from past mistakes to refine the organizing of communities and drafting of CBAs.

Policy change is a strong tool for Community Economic Development, but in order to be representative, it must take into account the needs of the indigenous population. In cases when the needs of the indigenous populations cannot be served, all attempts should be made through policy to minimize the negative effects. In order for the law to be more representative and less biased against indigenous populations, PACs need to have stronger voting rights than they currently possess and be more representative of the population. In addition to the flaws around PACs, redevelopment agencies need to be held more accountable for what is required under redevelopment law in order to protect the indigenous population and the sense of community.

Redevelopment law requires that low or moderate income housing that is eliminated by the project be replaced. Moreover, in California the law requires that 20% of the tax increment financing be used for affordable housing. However, some redevelopment agencies choose to build the low income housing (replaced units) in other localities within their jurisdictions (other project areas) and not within the project area that was affected. Furthermore, the language of redevelopment law calls for a 'few years' to replace the affordable housing. Since the term is not explicitly defined, it is pushed by the

redevelopment agencies to its maximum and therefore, the replaced units of affordable housing may literally take years to be replaced. Also the fact that many of the replaced affordable housing is built outside of the redevelopment area that lost the housing only contributes to the marginalization of low and moderate income persons which are instead transferred to other impoverished areas thus destroying community cohesiveness.

The combination of rebuilding the affordable housing and/or building it in other impoverished areas, contributes to the displacement of their culture, social capital and social networks. It also contributes to a more pronounced concentration of poverty. Historically, there has been a great loss of social and cultural capital due to urban renewal and redevelopment. As stated by Hayden, decades of “urban renewal” and “redevelopment” of a savage kind have taught many communities that when the urban landscape is battered, important collective memories are obliterated⁶¹. This further weakens the population that is already vulnerable and marginalized.

It is important to note, that there are many positive outcomes that revitalization creates such as bringing more services to the area, reduced crime, creation of jobs, and real estate appreciation. In regular redevelopment, economic capital is usually infused into buildings and infrastructure and ignores a comprehensive approach of neighborhood revitalization which should includes services to the population in the form of other social services such as job creation, child care, and education for the indigenous population. These needs can only be demanded and pushed by having the community involved as part of the development process in order to minimize the negative effects such as displacement that arise when the needs of the community are ignored as part of the redevelopment process.

⁶¹ Hayden, pg. 9.

Displacement not only destroys the social networks of the area, but also reduces the likelihood of the recreation of community social networks for the benefit of indigenous people. Therefore, the key to minimizing the negative effects of revitalization while still enjoying the positive effects is to introduce a holistic and coordinated approach to build long-term neighborhood capacity and strengthen decision making institutions that are already in the communities⁶². Long term neighborhood capacity should be increased through investment in human capital while strengthening decision making institutions by increasing social, cultural and political capital.

Community Needs Assessment

According to the CRA 5-year plans for the Project Areas 1⁶³ and 2⁶⁴, many of the problems identified in the original redevelopment plan still exist today. The Pico Union redevelopment plan was originally adopted by the Los Angeles City Council in 1970⁶⁵. The Pico Union 2 Redevelopment Plan was originally adopted by the Los Angeles City Council on November 27, 1976⁶⁶. According to the 5-year plans, the area still contains many obsolete and substandard residential structures and since many of the parcels are irregularly shaped they do not meet the standards for planning and zoning for economic development projects. The retail businesses are mom and pop stores and the area still lacks commercial services for its residents such as grocery stores, drug stores and

⁶² Zdenek, Robert O. Toward Comprehensive Approaches for Strengthening Communities. Shelterforce Online. Issue #74, March/April 1994. Pg. 6.

⁶³ The Community Redevelopment Agency of the City of Los Angeles Pico Union Project Area No. 1 5-year Implementation Plan – 2005-2009 (Draft).

⁶⁴ The Community Redevelopment Agency of the City of Los Angeles Pico Union Project Area No. 2 5-year Implementation Plan – 2005-2009.

⁶⁵ CRA L.A. website for Pico Union Project Area 1. http://www.crala.net/internet-site/Projects/Pico_Union_1/about.cfm

⁶⁶ CRA L.A. website for Pico Union Project Area 2. http://www.crala.net/internet-site/Projects/Pico_Union_2/about.cfm

banks/lending institutions, but it has more than average number of liquor stores. The report also states that many still see Pico Union as an area which serves as a port of entry for immigrants, which according to the redevelopment agency, is a negative issue.

Small Business / Ethnic Economies

While according to the CRA the area is negatively perceived because it serves as a port of entry for immigrants, according to Opportunity Finance Network, much of the growth in Los Angeles economy has been in the small business sector from immigrant and ethnic owned business⁶⁷. This, therefore, should be seen as an advantage and not a weakness. However, in general, there is a lack of access to capital for this size and type of business. Partly because the capital needs are too small for a bank to consider them profitable and also because of the barriers associated with the legal status of its owners or lack of credit reporting history associated with ethnic owned businesses.

For community development lenders, it is also difficult to serve this population. Pico Union is located close to the bank district of Downtown Los Angeles which houses 11 community development lenders. However, while there are many Community Development Financial Institutions (CDFI's) that bridge capital needs and serve underserved populations, CDFI's face many of the same challenges that are encountered by more conventional capital providers. While the country is becoming more diverse with immigrant populations fueling the small business growth, many CDFI's encounter challenges in outreaching to different cultures and languages⁶⁸.

⁶⁷ Abramowitz, Adina, Edwards, Bryony, Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance. 2005. Pg. 3.

⁶⁸ Abramowitz, Adina, Edwards, Bryony, Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance. 2005. Pg. 3.

In addition, these challenges have worsened since recent credit scoring systems have replaced underwriting for small businesses. This has created a shift in capital access away from small ethnic owned business, since many do not have established credit histories. Furthermore, many CDFI/other small business programs unfortunately have restrictions that prevent deployment of capital to this group⁶⁹, including restrictions tied to the legal status of the owners of the small business.

In spite of capital, policy, bureaucracy, and language barriers, much of the growth in the Los Angeles economy has been due to the ethnic owned small business sector⁷⁰. The recovery of the 1990s recession has in large been attributed to the influx of immigrant populations and entrepreneurship this populations brought⁷¹. Given the barriers, facilitating the delivery of capital into small businesses will be easier through alternative community development lenders than through conventional lenders. However, an analysis of the Community Development Financial Institutions (CDFIs) in and around the BPO area shows that CDFIs have not provided meaningful investment to the area. While the area of Downtown Los Angeles has eleven CDFIs, there is only one located within the Pico Union area. And this is the smallest of the eleven CDFIs when measured by total assets⁷².

Despite the challenges of the area, it has seen an increase in private capital from conventional sources. Pico Union can tap into this capital for projects that can benefit the area's population. An analysis of the 2007 FFIEC data shows that more than \$13 billion were infused into the target area as reported under the Community Reinvestment Act

⁶⁹ Ibid. Pg. 4.

⁷⁰ Ibid. Pg. 7.

⁷¹ Ibid. Pg. 15.

⁷² Based on an analysis of the CDFI list of the U.S. Department of the Treasury Community Development Financial Institutions Fund Program.

(CRA). However, an analysis shows that much of the capital was infused in businesses with higher assets than those found in Pico Union. An analysis of payroll data shows that the establishments within Pico Union area are much smaller in size when compared to the total establishments within the County. This leads to the assumption that the capital is being infused on only a few of the larger establishments within the area. Businesses located within the two zip codes that cover the target area have on average of 10 employees, while the County average is 21 employees. Within the BPO area the average is 6 employees, therefore much smaller than the county average.

Nonetheless, tapping into this capital can help revitalize the BPO area and provide the needed capital to grow local businesses with the goal of creating more jobs. While these jobs are not living wage jobs, they are a great resource for entry level jobs that will benefit the unemployed and underemployed. Learning about holding a job is human capital that is the first step in developing a successful career and working lifestyle. This is especially important given the high unemployment rate in the area which appears to be directly tied to the high crime rate. It may be due to the fact that many of the youth and young adults in the area are unemployed or underemployed and may turn to criminal activities for ways to earn income to survive. Therefore increasing the availability of this type of human capital will provide the essential base for a successful working lifestyle that is the base to create alternatives to income generating criminal activities.

However, in order to attract capital to the area, a financial institution or a community based organization with financing acumen will need to implement the strategy. It is envisioned that a Community Development Lender (Community Development Financial Institution, a Community Development Corporation , a Community Development

Entity, Small Business Investment Corporation or a Community Development Credit Union) will be involved as part of the strategy to work with conventional lenders, foundations and governmental agencies to attract capital, set up the funding mechanisms and form a loan pool to fund small and medium sized businesses (including start up entities) and community facilities.

Education / Workforce Development

According to the Community Redevelopment Agency, since adoption of the Redevelopment Plan, the Agency has been successful in the development of new affordable housing catering to families and senior citizens. However, economic development efforts have been limited to installation of new public improvements and some revitalization efforts of the commercial corridors. But support for community needs such as the development of the Bill Cruz Early Education Center and the Community Beautification Program have also been implemented.

According to the City of Los Angeles First Year Action Plan PY 2008-2009⁷³, the City of Los Angeles needs more education and development programs for youth and new opportunities for job creation. This is especially important given that 1/3 of the population in the City is under the age of 18 and within Pico Union it is even higher with a population under 18 of about 35%⁷⁴. The need to improve education and skills for this age group is important since this is the future workforce. Some of the strategies identified include raising student achievement and promoting safe learning environments as well as working with the business industry clusters located in Los Angeles County and working

⁷³ Department of Housing and Urban Development. City of Los Angeles First Year Action Plan (PY 2008 – 2009, 34th Year – DRAFT)

⁷⁴ City of Los Angeles – Department of City Planning. <http://cityplanning.lacity.org/DRU/C2K/C2KRpt.cfm?geo=tg&sgo=ct>

with emerging businesses to help them grow with the goal of helping them create well paying jobs.

While the plan also calls for attraction of new companies to Los Angeles, this type of strategy has been part of previous city programs. Creating subsidies to attract outside manufacturing businesses as a strategy to create jobs has failed many times before. Instead it has been recommended that efforts should be made to create a vital economy and assist businesses that are already located in sticky regions in Los Angeles' small- and medium- size manufacturing firms⁷⁵. There are major industry clusters located in Los Angeles County, all within approximately 20 miles from Pico Union.

Since the BPO strategy includes preparing a better workforce, it is essential to include strategies to bring more quality child care programs to the area. Early Childhood Education provides children the human capital so that they are ready to succeed in school and life.⁷⁶ According to the Insight Center for Community Economic Development quality childcare not only provides a safe and stimulating setting for healthy development of children so that they can be more ready to succeed in school and life but at the same time it assists parents in maintaining employment and other education/training opportunities which lead to employment advancement. Also, according to Brook-Gunn, quality early care and education can increase children's ability to enter traditional K-12 schooling ready to continue learning, which better prepares them for future opportunities.⁷⁷ According to Brown, early care education provides safe, stimulating age-appropriate learning opportunities that support their healthy development

⁷⁵ Hoffman, Alexander Von. *House by House, Block by Block*. 2003. Oxford University Press. Pg. 233.

⁷⁶ Brown, B. *The Economic Impact of the Early Care and Education Industry in the Los Angeles County*. 2008.

⁷⁷ Brooks-Gunn, J. *Do You Believe in Magic? What We Can Expect from Early Childhood Intervention Programs*. Social Policy Report. 2003.

The benefits of the child care industry are not only for a long term approach of preparing a better future workforce. The industry of early childcare education is a strong economic infrastructure for the County of Los Angeles in that it reduces turnover and absenteeism and increases productivity. In addition, the industry generates an estimated \$1.9 billion in gross receipts and employs over 65,000 full-time equivalent jobs in the County of Los Angeles⁷⁸.

At Risk Youth / Gang Activity

According to the City of Los Angeles' Gang Reduction Strategy, the City of Los Angeles suffers from high crime due to gang activity. The report also provides information listing some of the reasons why youth join gangs -- many of which are prevalent in Pico Union. The report states that lack of skills creates lack of confidence and that lack of confidence makes a child more susceptible to dropping out of school which makes a child more susceptible to gang recruitment⁷⁹. Pico Union suffers from an extremely high drop rate of over 50% and overpopulated schools which tend to reduce the academic success of the student.

Based on the population 25 years and older within Pico Union, approximately 73.1% has no high school diploma, compared to 33.7% at the City of Los Angeles level. Furthermore, according to the report, one of the factors that drive youth into gang activity is poor or deficient early academic behavior and lack of academic success. Many of the schools serving the BPO area are failing schools with many ranking well below similar schools. Historically, Pico Union has seen more students drop out than graduate.

⁷⁸ Brown, B. The Economic Impact of the Early Care and Education Industry in the Los Angeles County. Insight Center for Community Development. 2008.

⁷⁹ City of Los Angeles, Gang Reduction Strategy. April 2007.

The report also states that the most stressful part of a child's day is traveling to and from school due the high gang activity in the streets⁸⁰. Given the high density and the number of gangs in and around the BPO area, children will need to travel through three to four different gang turfs on their way to and from school. In addition, the Pico Union Area has few safe havens available for pre-teen and teens for before- and after-school. This lack of safe havens provides no alternative safe places for children to socialize and learn, but unfortunately will leave open opportunities to socialize with gangs and potentially participate in crime activity.

The area continues to be plagued by high crime, graffiti and image blight mostly due to the high gang activity of the area. The Central Bureau of the Los Angeles Police Department which serves the area of Pico Union and Westlake areas, has 19 gang injunctions, including Mara Salvatrucha, 18th Street Gang, Harpys, Crazy Riders, Orphans, Street Criminals, Rockwood and Drifters. The high number of gangs confined to a few square miles increases the friction and activity among the various enemy gangs.

The high crime of the area is perceived as a serious threat to the public safety and welfare of its residents and contributes to the negative perception of the area. The high incidence of crime further influences the perception that the area is high risk for investment. This adds to the high risk perception that potential investors may have, which may contribute to the historical disinvestment and a lack of access to capital the area suffers.

⁸⁰ Ibid.

By providing more safe heavens for at risk youth, crime can be reduced. Studies completed by RAND Corporation⁸¹ show that children who attend quality child care are more likely to succeed in school and beyond and that for every dollar invested in quality child care, the return to society is more than double in the form of reduced special education and most importantly reduced crime and incarcerations costs. Early Childhood Education provides children with higher cognitive skills, greater school achievement, less use of school remedial services in early adolescence, higher high school completion and lower arrests by the age of 20⁸².

Therefore, it is an important strategy to invest in child care to reduce crime since quality childcare provides confidence in these children which is of utmost importance since lack of confidence makes a child more susceptible to dropping out of school and more susceptible to gang recruitment⁸³ and a higher probability of being killed due to gang activity as stated in statistics by the Centers Disease Control which show that areas of high gang activity have a higher incidence of deaths among its youth.

An analysis of statistics done by the Centers Disease Control statistics and interpreted by the Violence Policy Center, a gun-control advocacy organization, shows that homicide is the leading cause of death for African American youth people ages 15-34, with 90% of them shot to death. Among African Americans 15-24, 42% of all deaths were homicides. For whites, the rate is 8.5%⁸⁴. While this study includes only African Americans, statistics for other areas with high low-income minorities are presumed to be

⁸¹ Karoly, Lynn and Bigelow James. The Economics of Investing in Universal Preschool Education in California. RAND. Pgs. xiii-xxix. 2005.

⁸² Reynolds, Temple, Robertson, Mann. "Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Centers". Educational Evaluation and Policy Analysis, Vol. 24, No. 4. 2002. Pg. 267-303.

⁸³ City of Los Angeles. Gang Reduction Strategy. April 2007.

⁸⁴ Violence Policy Center. Black Homicide Victimization in the United States: An Analysis of 2005 Homicide Data. Retrieved March 2008 <http://vpc.org/studies/blackhomicide08.pdf>. Pg. 1.

similar. Therefore, areas with high percentages of Latino population living in areas of high gang activity may have similar death rates due to gang activity.

Another disturbing statistic common to Pico Union is that while male and female population is evenly distributed, approximately 73% of children under the age of 18 years live in families with female householders (no husband)⁸⁵. This subset needs strong support in the form of before and after-school opportunities where children can receive supervised attention, assistance with homework, and other healthy activities. Therefore, some of the strategies identified include raising student achievement and promoting safe learning environments.

Social Networks / Survival Networks

While the area has a higher than normal turnover because there is a number of residents that eventually move out of Pico Union into other areas of the City, there are strong social networks in the area derived from country origin. Newer immigrants get to learn from the more established residents the norms of living in the United States and the class and race systems that exist. This invaluable information which has been in existence for decades is passed on to the newcomers as an important form of human capital in the form of survival networks. This carries on a strong ethnic community and ethnic economy. Pico Union has a cultural richness that is shared not only by those from the same country origin but also those who share similar experiences.

The cultural richness includes a medley of many different Latin America cultures, which is a strong asset of the community. However, a major challenge encountered in

⁸⁵ U.S. Census Bureau. [www.census.gov](http://factfinder.census.gov/). <http://factfinder.census.gov/>

Pico Union due to the several enclaves of ethnic groups from various countries is the culture clash and lack of acceptance of the newer groups, which creates further isolation within the community. The Pico Union area is notorious for the rivalry that was created as a consequence of the immigration of Central Americans into an area with a high percentage of Mexicans in the 1970s.

To this day, the area is plagued by discrimination stemming from country origination. Today, Pico Union is an ethnic community where many traditional cultural norms of different countries are found. While most of the stores are mom and pop stores, they serve the ethnic economy created by the various ethnic groups. These ethnic communities created a strong ethnic economy and revitalized the area in the mid-1980s from a blighted area to a robust ethnic economy.

Organizing / Political Capital

Another asset found in the BPO area is that many of the Salvadorans that arrived and were fleeing the civil war were persons being persecuted for political reasons, therefore they brought with them strong organizing skills, which they have used in the U.S. to further Salvadorans and Latino/Hispanic issues. From the early roots, there are now many entities that have been created to further the education, political clout and economic status of the Salvadoran people many of which exist to this day, such as El Rescate, CARECEN, and SALEF.

While there have been significant advances within the Salvadoran population, there are tensions within some of the Salvadoran organizations and within the Salvadoran population. Much of the tension is across the two largest political parties in El Salvador,

the Farabundo Marti Para La Liberacion Nacional (the Farabundo Marti National Liberation front or FMLN)⁸⁶ and the Alianza Republicana Nacionalista (Nationalist Republican Alliance or ARENA). In addition to friction between Salvadorans around political affiliations, the area also suffers from country of origination discrimination and separatism among organizations within the area due to country origin.

Coalitions

Los Angeles has about 33 Community Development Lenders including several CDFIs, several loan funds and credit unions, one venture capital group and one community development bank⁸⁷. Approximately 11 serve the Pico Union and metropolitan Los Angeles⁸⁸ but only one community development credit union is located within Pico Union. However, it is the smallest of the 11 based on its asset size, and does not offer loans for small businesses. Since a CDFI or community development lender will need to be identified to implement the BPO strategy, this is a major weakness of the area. However, the area enjoys a great number of community based organizations.

The Pico Union area has in excess of 60 grassroots organizations that are within the area or serve the area. The institutions vary from delivering services in child care, education, job training, affordable housing, community development financial institutions, community development corporations, family counseling and health related activities. However, the area lacks strong partnerships and while there have been a number of coalitions that have been formed; they are usually around a single issue and not as a

⁸⁶ The name stems from the 1932 Salvadoran peasant uprising, referred to as La Matanza (the massacre), which was headed by Farabundo Martí. Approximately 30,000 indigenous people and political opponents were murdered, imprisoned or exiled.

⁸⁷ Abramowitz, Adina; Edwards, Bryony, Edwards; Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance. Pg. 5.

⁸⁸ Ibid. Pg. 6.

holistic approach to improve the overall area. It is mostly geared to individual agendas by leading agencies. Furthermore, there are many agencies that refuse to partner with other agencies because they are competing for scarce resources which come in the way of contracts or grants. The area has also recently seen lots of effort focused on the preservation and rehabilitation of the historic character of the community, which has not involved the entire community, but only a limited subset of the community.

Competitive Advantages

Pico Union is located in an area with many competitive advantages because of its close proximity to the downtown business districts, entertainment and tourist centers, film industry, the arts and most importantly, close proximity to major industrial/manufacturing clusters such as the food processing industry, fashion/apparel and design, furniture manufacturing, metals manufacturing, and toy industries, which are located within 20 miles of the BPO area. It is also close to other growth industries such as Healthcare/Bio-Medical industries. However, some of the disadvantages include high housing cost and high crime.

The area is located adjacent to Downtown West, an area which has received significant amounts of subsidies in the form of public capital from the City which leveraged capital from private sources to revitalize the area. The area now includes market rate lofts, an arts district and many amenities. The huge capital infusions in the area have created a place that is desirable through rebranding and is being marketed to higher end households. This has had the positive effects of increased real estate prices and a huge

infusion of commercial businesses targeted to higher end incomes. Pico Union can tap into this new population and attract their spending power into their area.

By emphasizing the strengths of the community and implementing Placemaking strategies, outside potential investors can be sought to increase access to capital for the existing population. Pico Union has a strong ethnic economy that needs to tap into the ethnic resources. However, financial literacy is an important piece, especially since small businesses depend more on the owner's savings rather than upon a bank loan. Historically, Latinos have less probabilities of having a transaction account, such as a savings or checking account, which is the basic starting point in financial management and wealth building.

Another advantage is its density. While the area may be mostly low-income, the Pico Union area is very dense with approximately 25,933 persons per square mile compared to 7,607 per square mile at the City level. It is about 3.4 times denser than the City average⁸⁹. While the area has a low per capita income ratio, the higher density provides the spending power to attract larger grocery/drug stores and banks/lending institutions that can provide a number of entry level jobs. The density should also assist the retail businesses that exist within the Pico Union area. In addition, L.A.s proximity to industry clusters (sticky regions), location to major business centers, multiple ports and international airports are some of the competitive advantages. There are also a variety of higher education institutions and connection to the global economy⁹⁰ because of its ethnic communities.

⁸⁹ City of Los Angeles Planning Department.

⁹⁰ Abramowitz, Adina, Edwards, Bryony; Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance Network. Pg. 16.

While the tremendous cultural diversity has driven key growing business sectors in ethnic communities, and the economy has a growing dependence on these small and medium sized businesses, it can also be a vulnerability since this group encounters more difficulty in accessing capital. Without effective capital access, this group will be unable to grow effectively⁹¹. Another vulnerability is that the Los Angeles County economic growth is being driven by small business sector especially ethnic owned businesses. Many are owned and operated by immigrants who cannot access many subsidized small business programs, such as the Small Business Administration programs, due to their legal status.

While this population has even heavier barriers than most small businesses to access services, it is a strong economic driver. There are about 1.5 million immigrant business owners in the United States which represent 12.5% of all business owners in California, or 30% of all immigrant owned business in California⁹². Business ownership is higher among foreign-born than the native born, so immigrants would have even higher ownership and success rates if they had similar access to services and programs to those U.S. born⁹³.

Project Target Community

Giloth's theory of change stresses the importance of creating a holistic approach for the target population or target area instead of an individualistic approach which will only temporarily work so long as the program is implemented but will cease to exist soon

⁹¹ Klowden, Kevin, Wong, Perry. Los Angeles Economy Project: Executive Summary and Recommendations. Milken Institute. October 2005. Pg. 3.

⁹² Fairlie, Robert W.. Estimating the Contribution of Immigrant Business Owners to the U.S. Economy. Small Business Administration Office of Advocacy. November 2008. Pg. 10 and 16.

⁹³ Ibid. pg. 13

after the program stops receiving funding⁹⁴. In addition, according to Michael Porter, the inner city would never revive unless effective programs that exploit its competitive advantages are introduced⁹⁵.

The BPO project target community is children and youth under 24 years living in the Pico Union area, which is one of the communities located within the City of Los Angeles. It is a subsection of the City's Westlake Community Plan (WCPA) and a project area of the Community Redevelopment Agency. The City of Los Angeles is home to approximately 3.7 million people with approximately 47% of the population belonging to a minority group. The WCPA covers an area of roughly 3.17 square miles located south of the Hollywood Freeway (Interstate 101), north of the Santa Monica Freeway (Interstate 10), Hoover Street on the West and the Harbor Freeway (Interstate 110) on the East⁹⁶. The WCPA has the highest percentage of Central Americans and has the highest Salvadoran population outside of San Salvador (El Salvador's Capital)⁹⁷.

The Pico Union area is covered by zip codes 90006 and 90015. These two zip codes have 78,000 people. Zip Code 90015 also includes the portion of Downtown West, which houses the L.A. Live Sports and Entertainment Complex and has a more diverse population due to the gentrified community. The defined boundaries of the area of Pico Union differ depending on the stakeholder, but the most widely known boundaries include 17 contiguous census tracts covered by Olympic Boulevard on the North, Washington

⁹⁴ Giloth, Robert P. Jobs, Wealth, or Place: The Faces of Community Economic Development. Edited by Sherraden, Margeret & Ninacs, Williams, A. Community Economic Development and Social Work. Community Economic Development and Social Work. 1998. They Hayworth Press, Inc. Pg. 11-27.

⁹⁵ Hoffman, Alexander Von. House by House, Block by Block: The Rebirth of America's Urban Neighborhoods. 2003. Oxford University. Pg. 237.

⁹⁶ Westlake Community Plan. A Part of the General Plan – City of Los Angeles. www.lacity.org/PLN

⁹⁷ Interview of Rivera, Francisco, President of the Board – El Rescate, and President and CEO of the National Central American Roundtable. April 1, 2009.

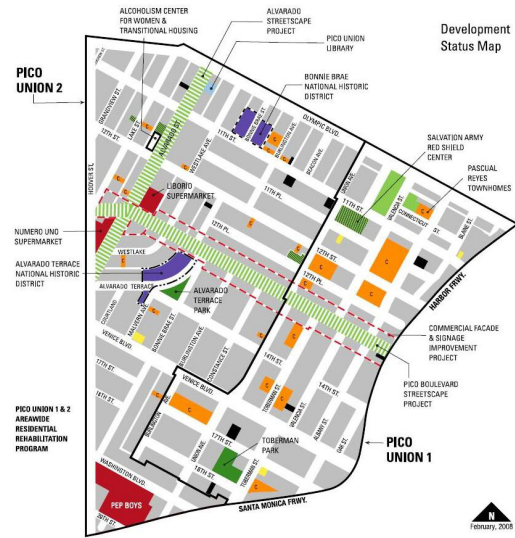
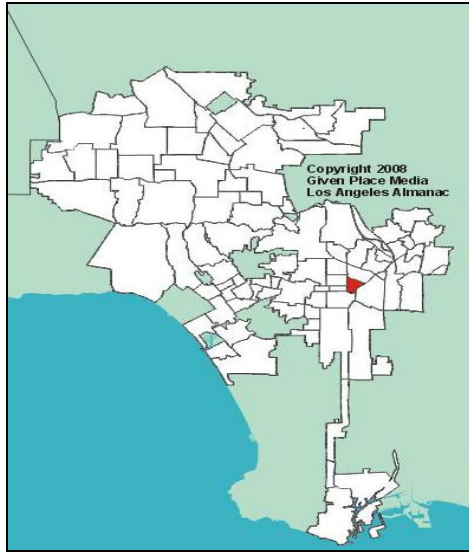
(see street map), an area recently rebranded to Downtown West. Downtown West has received significant amounts of subsidies in the form of public capital from the City of Los Angeles. The public subsidies leveraged capital from private sources which have revitalized the area. The area now includes market rate lofts, an arts district, a pedestrian friendly area with shops and restaurants and many amenities catered to a higher income population.

While the efforts to revitalize the area are positive, unfortunately the services, housing and amenities of the area are being marketed to a higher income population and have displaced many of the indigenous population. Due to the successful revitalization of Downtown West, the Pico Union area has recently experienced drastic changes. The positive changes experienced in the adjacent areas in the form of appreciating real estate has not benefited the mostly immigrant low income population of the Pico Union area since most are renters and therefore any asset appreciation is felt negatively in the form of increased cost for goods and services and worst of all housing displacement.









The City of Los Angeles covers approximately 485.7 square miles⁹⁹. The BPO area covers less than one square mile (0.885 mile) as shown in the red space of the City of Los Angeles Map below. The Pico Union area is also very dense with approximately 25,933 persons per square mile compared to 7,607 per square mile at the City level. It is about 3.4 times denser than the City average. Approximately 86.1% are renters in the Pico Union Area compared to 58.6%¹⁰⁰ citywide. Of the occupied housing stock which is 93.0%, only 6.9% are owner occupied compared to 36.8% at the City level.

⁹⁹ City of Los Angeles – Department of City Planning. <http://cityplanning.lacity.org/DRU/C2K/C2KRpt.cfm?geo=tg&sgo=ct>

¹⁰⁰ Federal Financial Institutions Examinations Council (FFIEC). 2007 FFIEC Census Report: Summary Census Demographic Information. Retrieved March 2008, from <http://www.ffiec.gov/>



Map of Pico Union 1 and Pico Union 2 Project Areas (above)¹⁰¹

LEGEND			
	Vacant Lots	 Commercial	 Streetscape Programs
	CRA/LA Housing Developments	 Social Service or Recreation Center	 Parks
	Private Residential Developments	 LAUSD School	 National Historic District

Approximately 79.6% of the population is from Hispanic/Latino descent and is home to a diverse ethnic population. Also, about 87% of the population speaks a language other than English. While the area may appear to be homogeneous because of the high percentage of Latinos, the area is home to persons of several Latin American Countries. The majority are of Mexican descent (54.3%), followed by Salvadorans (11.35%) and Guatemalans (5.75%)¹⁰².

According to the Federal Financial Institutions Examinations Council (FFIEC) 2008 estimates and 2007 census estimate data, the area has 22,951 persons living within the eight census tracts with the majority of minority descent at 96.8%. The largest minority population is of Hispanic/Latino descent at 87.8%.

¹⁰¹ City of Los Angeles, Community Redevelopment Agency.

¹⁰² U.S. Census Bureau. www.census.gov. <http://factfinder.census.gov/>

Percent Minority Table	Tract Population	Tract Minority %	Non-Hisp White Population	Tract Minority Population	American Indian Population	Asian/ Hawaiian/ Pac. Islander Population	Black Population	Hispanic Population	Other Population/ Two or More Races
2100.10	3607	97.34	96	3511	2	287	49	3150	23
2095.10	2681	97.2	75	2606	12	349	111	2122	12
2095.20	2772	96.21	105	2667	5	332	65	2232	33
2098.10	2585	93.62	165	2420	8	38	161	2199	14
2098.20	2708	97.71	62	2646	6	58	31	2543	8
2242.00	3067	96.8	98	2969	8	22	155	2773	11
2243.10	2238	97.1	65	2173	4	45	48	2057	19
2243.20	3293	98.27	57	3236	8	55	72	3083	18
	22,951	96.78	723	22,228	53	1,186	692	20,159	138
				96.85%	0.23%	5.17%	3.02%	87.83%	0.60%

Median Family Income and Poverty	Tract Median Family Income %	2008 Est. Tract Median Family Income	% Below Poverty Line	Unemployment Rate	Tract Population	Tract Minority %
2100.10	47.42	\$28,357	38.66	9.8	3607	97.34
2095.10	36.44	\$21,791	45.53	6.8	2681	97.20
2095.20	48.71	\$29,129	36.74	11.5	2772	96.21
2098.10	32.15	\$19,226	44.32	13.7	2585	93.62
2098.20	29.56	\$17,677	51.18	18.6	2708	97.71
2242.00	44.62	\$26,683	38.53	15.4	3067	96.80
2243.10	37.07	\$22,168	43.59	15.9	2238	97.10
2243.20	41.81	\$25,002	46.41	11.8	3293	98.27
Average of tracts	39.72	\$ 23,754	43.12	12.94	2,868	96.8
L.A. County (b, c)	89.26	\$ 53,494	14.6	6.20	9,862,049	50.7
California (b, c)	100.21	\$ 59,928	12.4	6.40	36,756,666	39.6

a. 2008 HUD Est. MSA/MD=\$59,800 (www.ffiec.gov)

b. County/California statistics based on 2007 figures (except unemployment rate).

www.census.gov

c. Unemployment rate based on March 2008 figures (www.calmis.ca.gov)

The average of the 8 census tracts' median family income is 39.2% which is much lower than the Los Angeles County and California Median Family Income of 89.26% and

100.21%, respectively. Approximately 43% of the population lives below the poverty line compared to 14.6% and 12.4% at the Los Angeles County and California level.

Demographics by Zip Code	Pico Union 90006	Pico Union 90015	City of Los Angeles
In labor force	56.1%	41.8%	60.2%
Not in labor force	43.9%	58.2%	39.8%
Male	50.8%	52.3%	49.8%
Female	49.2%	47.7%	50.2%
Poverty Rate - Related Children (under 18) In Families with female head householders (no husband)	66.8%	78.5%	49.7%

The unemployment rate is 12.94%, more than twice that of Los Angeles County and California at 6.2% and 6.4%, respectively¹⁰³. While, this rate is very similar to the unemployment rate at the City level, approximately 51% of the Pico Union population is not part of the labor force compared to 40% citywide. This group is therefore not counted in the unemployment rosters. The high incidence of unemployment is therefore higher once the uncounted population is included. Another disturbing statistic is that while male and female population is evenly distributed, approximately 73% of children under the age of 18 years live in families with female householders (no husband)¹⁰⁴.

The Pico Union population is much younger and has less educational credentials than that of the City of Los Angeles. Approximately 44.7% of the population in Pico Union is under the age of 25 compared to 37.6% citywide. About 35.1% are of school age compared to 29.5% at the City level.

¹⁰³ The figures are based on 2008 statistics. As of March 2009 preliminary unadjusted unemployment figures, California's unemployment rate was 11.9%. The County of Los Angeles had an unemployment rate of 11.3%, Employment Development Department, Labor Market Information Division. <http://www.calmis.ca.gov/file/lfmonth/countyur-400c.pdf>

¹⁰⁴ U.S. Census Bureau. www.census.gov. <http://factfinder.census.gov/>

Age Distribution							
	Total Population	0 thru 4	5 thru 9	10 thru 14	15 thru 19	20 thru 24	Over 25
2100.10	3,607	330	367	292	303	346	1,969
2095.10	2,681	295	243	183	176	280	1,504
2095.20	2,772	290	274	171	198	260	1,579
2098.10	2,585	255	245	151	186	198	1,550
2098.20	2,708	273	312	215	218	241	1,449
2242.00	3,067	275	281	243	235	331	1,702
2243.10	2,238	272	247	153	159	215	1,192
2243.20	3,293	339	315	266	289	328	1,756
PU Total	22,951	2,329	2,284	1,674	1,764	2,199	12,701
PU %		10.1%	10.0%	7.3%	7.7%	9.6%	55.3%
City Total	3,694,820	285,976	297,837	255,604	251,632	299,906	2,303,865
City %		7.7%	8.1%	6.9%	6.8%	8.1%	62.4%

Department of City Planning: <http://cityplanning.lacity.org/DRU/C2K/C2KRpt.cfm?geo=tg&sgo=ct>

Based on the population 25 years and older, approximately 73.1% of the population has no high school diploma, compared to 33.7% at the City of Los Angeles level. Only 6.2% graduate from college with at least a bachelor's degree compared to 25.5% in the City of Los Angeles.

Educational Attainment							
	Over 24 year of age	No HS Diploma	HS Diploma	Some College	AA Degree	BA/BS Degree	MA/MS or Higher Degree
2100.10	1,973	1,392	231	158	57	91	44
2095.10	1,427	1,117	368	133	56	59	32
2095.20	1,664	960	338	65	100	163	38
2098.10	1,569	1,134	207	154	48	26	0
2098.20	1,461	1,085	163	117	0	41	55
2242.00	1,721	1,490	604	150	19	63	37
2243.10	1,192	916	87	106	15	54	14
2243.20	1,738	1,226	251	165	23	46	27
PU Total	12,745	9,320	2,249	1,048	318	543	247
PU %		73.1%	17.6%	8.2%	2.5%	4.3%	1.9%
City Total	2,308,992	777,634	417,764	424,815	123,000	379,593	209,442
City %		33.7%	18.1%	18.4%	5.3%	16.4%	9.1%

Department of City Planning: <http://cityplanning.lacity.org/DRU/C2K/C2KRpt.cfm?geo=tg&sgo=ct>

Given the low educational achievement, many are not prepared for the workforce. In addition the current education systems which serve the majority of the Pico Union students are performing well below expectations when compared with the Los Angeles Unified School District (LAUSD) and even worse when compared to the State level.

Educational Success	Belmont High School	LAUSD	State of California
Median Academic Performance Index-API (2007)	524	564	664
High School Exit Exam			
- Math	42%	61%	76%
- English Language Arts	44%	66%	77%
High School Drop Out Rates	46.3%	25.4%	14.1%
Graduation Rate	42.7%	63.9%	83.3%

The graduation rate is below 43% which is well below the State level graduation rate of 83%. The median Academic Performance Index¹⁰⁵ (API) using 2007 statistics was 524 compared to the Unified School District API of 564 and 664 statewide¹⁰⁶. Only 42% of students pass the math portion of the High School Exit Exam compared to 61% of the students within LAUSD and 76% statewide. Only 44% of students are passing the English Language Arts compared to 66% at the LAUSD level and 77% statewide.

In addition to low academic performance, a low percentage of the population is able to vote. About 69% of the Pico Union population is of voting age which does not vary widely from the City's 73%. However, only 35% of the population that resides in the area is U.S. born while and 53.1% are non-U.S. born or non-Naturalized. Only 46.9% are U.S. born and/or Naturalized Citizens in the Pico Union Area, which is the population that

¹⁰⁵ The Academic Performance Index (API) measures the academic performance and growth of schools. It is a numeric index (or scale) that ranges from a low of 200 to a high of 1000. A school's score on the API is an indicator of a school's performance level. (<http://www.cde.ca.gov/ta/ac/ap/apidescription.asp>)

¹⁰⁶ California Department of Education. <http://dq.cde.ca.gov/dataquest>

can vote, which is much lower than the 72.9% at the City level¹⁰⁷. A lower percentage of population that can vote is a weaker population to bring about policy changes.

	Total Housing Units	Owner Occupied Housing	Renter Occupied Housing	Land Area (sq.mi.)	Population Density (sq.mi.)	Voting Age Population (%)	Native-Born Citizen	Naturalized Citizen	Non-USA Citizen
2100.10	1,176	186	940	0.155	23,301	68%	1,138	482	1,987
2095.10	902	15	806	0.069	38,799	69%	913	248	1,490
2095.20	1,002	37	919	0.089	31,216	70%	874	390	1,537
2098.10	769	19	680	0.057	45,511	71%	961	212	1,412
2098.20	880	63	722	0.069	39,190	67%	993	356	1,359
2242.00	935	78	790	0.287	10,679	70%	1,219	407	1,441
2243.10	634	45	554	0.067	33,403	67%	808	181	1,293
2243.20	1,073	64	934	0.092	35,639	67%	1,129	462	1,658
PU total	7,371	507	6345	0.885	25,933	69%	8,035	2,738	12,177
PU %		6.9%	86.1%				35.0%	11.9%	53.1%
City Total	1,337,706	491,882	783,530	485.701	7,607	73%	2,182,316	509,798	1,002,707
City %		36.8%	58.6%				59.1%	13.8%	27.1%

According to the Department of City Planning, the estimated total annual income of the BPO target area is \$215,014,000. This is approximately \$9.37 per capita which is less than half of the per capita revenue at the City level of \$20.27. Approximately 77.7% of the income is in the form of wages and salaries followed by self employment income of 7.8%. Wages income is about 1.07 times of the City level while self employment income is only 0.81 times of City level due to either a lower percentage of business owners or smaller business in the Pico Union area when compared to the City level. The BPO target area, however, relies more on public assistance income when compared to the City level, which is more than 3 times the total annual income when compared to total City annual income.

¹⁰⁷ City of Los Angeles Department of City Planning: <http://cityplanning.lacity.org/DRU/C2K/C2KRpt.cfm?geo=tg&sgo=ct>

Annual Income (1999) by Source (\$000)	Total Annual Income (\$000)	Wages & Salaries	Self Employment	Wealth Income	Social Security	Supplemental income	Public Assistance	Retirement	Other Sources
2100.10	24,944	19,055	803	82	1,749	719	438	516	1,583
2095.10	24,447	14,359	7,839	527	430	275	686	50	280
2095.20	38,858	30,350	887	5,019	388	362	458	551	844
2098.10	30,469	23,330	815	4,504	484	218	629	248	240
2098.20	18,666	15,594	404	194	872	394	344	312	553
2242.00	29,327	23,298	3,874	236	977	176	495	60	211
2243.10	20,208	16,741	1,197	271	370	102	301	45	1,181
2243.20	28,095	24,334	993	93	965	616	412	249	433
PU Total	215,014	167,061	16,812	10,926	6,235	2,862	3,763	2,031	5,325
PU %	\$9.37	77.7%	7.8%	5.1%	2.9%	1.3%	1.8%	0.9%	2.5%
City Total	74,897,403	54,498,217	7,190,706	5,986,704	2,544,105	535,774	420,004	2,428,549	1,293,344
City %	\$20.27	72.8%	9.6%	8.0%	3.4%	0.7%	0.6%	3.2%	1.7%
Ratio	0.46	1.07	0.81	0.64	0.85	1.86	3.12	0.29	1.43

Given the characteristics and the history of Pico Union, a holistic strategy needs to include several components in order to create a cohesive plan that will truly generate synergies. BPO includes strategies to increase five forms of capital—economic, human, social, political and cultural capital. However, in order to increase human capital and bring more resources, the current social and political capital needs to be strengthened through the formation of coalitions and partnerships in order to influence the legislative decisions and decision makers that can exert their power to assist in bringing resources to the target group and target area.

In order to accomplish the described strategies, one key piece of the project is to ensure that funders (banks, foundations, CDFIs) view Pico Union as a worthy area for capital infusion for investing in small businesses, community facilities and nonprofit organizations. This can be accomplished through Placemaking strategies which is part of cultural capital, and emphasize the importance of using the indigenous population in the revitalization plans rather than pushing them out.

Placemaking + Economic Capital = Revitalization

Placemaking

Placemaking describes creative place-based ventures that create positive changes in communities.¹⁰⁸ It is the creation of a distinctive, livable space through community engagement and about creating authentic places as opposed to fabricated corporate developments¹⁰⁹. It is the process of creating spaces that are attractive to people because they are pleasurable or interesting¹¹⁰. It is a place centered approach to help the indigenous population improve their communities. Since this process involves the community, it prevents some of the negative effects that come from successful rebranding-focused revitalization.

Placemaking can change the perception of community by creating a sense of belonging and a sense of community based on their space by embracing the local indigenous culture. Since Placemaking creates these emotions, it can be a community economic development vehicle to reduce crime, increase community pride, increase the sense of wellness and well-being, provide a sense of hope and help change the perception of the area from negative to positive as viewed by external parties. It has the capacity of inspiring new community activism and making real impacts on individual lives and communities accomplished via creation of places¹¹¹.

Placemaking can also reduce crime by having the residents take “ownership” of their community. According to Jane Jacobs, Placemaking creates Citizen ownership of streets through the “eyes on the street” concept. She also adds that a well used city

¹⁰⁸ Bruner-Loeb Forum. Placemaking for Change. <http://brunerloeb.org/pages/learnedP.htm>

¹⁰⁹ Livable Streets Network. <http://www.livablestreets.com/streetswiki/placemaking>.

¹¹⁰ Wikipedia.org. Retrieved on December 3, 2008. <http://en.wikipedia.org/wiki/Placemaking>

¹¹¹ Project for Public Spaces – Making Places. http://www.pps.org/info/bulletin/what_is_placemaking

street is apt to be a safe street whereas a deserted city street is apt to be unsafe. She implies that it induces the people in buildings along the street to watch the sidewalks in sufficient numbers¹¹². She further adds that planning for vitality must help promote people's identification with city districts that are large, varied and rich enough in inner and outer contacts to deal with the tough, practical problems of inner city life¹¹³.

Cultural districts are important community economic development tools that can either regenerate areas through the transformation of blighted areas¹¹⁴ or can generate social capital and public good which changes the perception of citizens (indigenous populations) and outsiders who will see the area as changing through "the promise of a new beginning for distressed and abandoned urban centers."¹¹⁵ In general, the concept of Placemaking has been used for many strategies that change the identity of a place.

However, many of the practices and definitions of the concept are closer to Rebranding than the true definition of Placemaking. Whereas, Placemaking includes community involvement and creates a connection to community and its constituency, rebranding does the opposite. According to the International Public Management Review, rebranding is an urban regeneration program that changes fundamentally the character of a district. It may involve the importation of financially well off residents, business infrastructures, and cultural and leisure facilities more suited to better off people than to poorer pre-existing inhabitants.

Rebranding of a district differentiates it from other places as a way to promote the place to create a competitive edge. It affords opportunities for disassociating a locality

¹¹² Jacobs, Jane. *The Death and Life of Great American Cities*. 1992. Vintage Books.

¹¹³ Jacobs calls it "big-city life".

¹¹⁴ Galligan, Ann M. *The Evolution of Arts and Cultural Districts*. Chapter 8.

¹¹⁵ Jackson, Maria Rosario. *The Arts and Artists in Urban Revitalization*. Chapter 7.

from what may be viewed as past failures or social or other problems such as urban decline, social deprivation, homelessness, public disorder and crime¹¹⁶.

While the concept of Placemaking, in its more loose form, has been used in the creation of Arts Districts, Historical Preservation areas, Cultural Festivals, Public Assets and Infrastructure, Business Improvement Districts, City or District Rebranding, and Main Street Programs, many of the examples listed fall within the gray areas between Placemaking and Rebranding, with many being closer to Rebranding.

Placemaking	Rebranding
Understands the history, culture, social space to create place	Disassociates the indigenous history, culture and social spaces entirely
Creates places where people feel a sense of belonging	Creates places with the goal of changing the perception of outsiders as an attraction strategy
Includes community input through its formation process	Has minimal involvement of community members and is mostly planned by City/Politicians/Developers
Services are provided to the community for the benefit of the community	Services are geared towards a higher income outside population
Revitalizes the area and improves delivery of services to community and the indigenous populations	Displaces the indigenous most vulnerable population

The main difference between Placemaking and rebranding is that Placemaking understands the history and culture of the indigenous people and incorporates it into the project by incorporating community input in the process. This helps create a sense of belonging with the services and revitalization benefiting the indigenous population. Rebranding does the opposite--It disassociates the indigenous history and culture and aims to change the perception of place to attract an outside population as the services are geared to another population. Therefore, Rebranding destroys the sense of community and pushes out the indigenous population.

¹¹⁶ The Rebranding of City Places: An International Comparative Investigation. International Public Management Review. Volume 4. Issue 2. 2003.

Placemaking can be a strong tool to revitalize a neighborhood but it is important to differentiate what makes it a great tool. One of the most important differences between Placemaking and Rebranding is that Placemaking involves community and stakeholders which creates positive effects for the indigenous population and in the process strengthens communities. Placemaking includes elements of emotion, a sense of belonging and spiritual connection to place. It can create public places where people feel a strong stake in their communities, capitalizes on community assets, inspiration and potential. It is not just the act of building or fixing up a space, nor is it the act of changing the aesthetics of place.

On the other hand, the effects of Rebranding displace the population because it purposely disassociates the indigenous population from place which purposely causes gentrification of the area by catering to a different population. Rebranding displaces the indigenous more vulnerable residents by disassociating the indigenous population and their needs from place. The services provided are for higher end populations and does not serve the lower income populations. Therefore it creates the effect of “driving out” the undesired populations.

Ernesto Espinoza, Director of Real Estate of East L.A. Community Corporation stated that “showing [our] culture through the various art forms as a way to nurture and grow the pride in the heritage” is important. He adds that it is important to diminish the misconceptions of culture and stereotypes to the masses. But he also adds that unfortunately, the use of arts and culture as a revitalization tool is usually the “first thing that comes into a community when gentrification starts”. He states that “if we keep the community involved then it is a vested community asset, the problem is whether the

current stewards are doing it for the social good”. Some best practices of Placemaking are as follows:

- 1) MacArthur Park, California: A state park located in the Westlake area of downtown Los Angeles that has experienced revitalization with the opening of a recreation center and a new Metro station. The park has seen the return of the paddle boats and the fountain, as well as many large community festivals that attract the indigenous population as well as outside populations. It is the only place in Los Angeles that has a vending district where local entrepreneurs can sell their products. MacArthur Park is located approximately 1 mile from the BPO area.
- 2) Pike Place Market, Seattle: An urban market located in downtown Seattle in a nine acre historic district. It is a retail outlet for the local farming and fishing industries. It also includes local craftspeople, businesspeople and local performers¹¹⁷.
- 3) Leimert Park, California: Considered one of L.A.’s Arts scene in Los Angeles, the district’s center is Leimert Park, which is a popular place for festivals, gatherings and political rallies. The surrounding areas have an extensive array of shops catering to African Americans.
- 4) Crane Plumbing Company, Philadelphia: Former factory turned into artist studios, exhibition gallery, university arts program and performance arts¹¹⁸.

¹¹⁷ Bruner-Loeb Forum. Placemaking for Change, Non-traditional Models of Community Revitalization. <http://www.brunerloeb.org/pages/pike.htm>.

¹¹⁸ Nowak, Jeremy. The Power of Placemaking: A Summary of Creativity and Neighborhood Development Strategies for Community Investing. The Reinvestment Fund.

- 5) Camino Nuevo Charter Academy, California: A public charter school that involves parents in the process of their children's education and offers a wide variety of opportunities to community residents and is part of the overall revitalization strategy¹¹⁹.
- 6) Proposed Arts District Corridor in Boyle Heights. A mixed-use housing & retail/commercial development planned around the Gold Line Station, centered around the Mariachi Plaza and the Boyle Hotel¹²⁰.

While there are many best practices of Placemaking, there are many more examples of what may be considered best practices of Rebranding. While these best practices were detrimental to indigenous populations, they nevertheless are successful examples of rebranding of places. Some of the best practices of Rebranding are listed below:

- 1) L.A. Live Sport and Entertainment Center. A sports and entertainment center that includes the Staples Center, the Nokia Theatre and the Ritz Carlton Hotel along with a “city walk” atmosphere with upper scale shops. The L.A. Live complex is located about half a mile from the BPO area.
- 2) South Park Business Improvement District. Created to improve the business district of Los Angeles to improve services to the area and reduce crime.
- 3) Grand Avenue Arts Project. An arts district that includes the Walt Disney Hall.

¹¹⁹Bruner-Loeb Forum. Placemaking for Change, Non-traditional Models of Community Revitalization. <http://www.brunerloeb.org/pages/camino.htm>

¹²⁰ City of Los Angeles, 14th District. Councilman Jose Huizar. Boyle Heights: Planning & Community Improvement Projects, a glimpse at our past – a view toward the future. August 2008.

- 4) Arts District in Old Bank District. An arts district that was created from the gentrification of the Old Bank District.

Placemaking creates places where people feel sense of belonging, includes community input through its formation process and improves the delivery of services to the community. Involvement of community and stakeholders makes a big difference in having positive effects in a revitalization tool and creating a place that will connect to the community and its residents. While it is used in a general form to mean anything that changes the identity and perception of place, in its true pure form, this tool can catalyze an area, while the other extreme—rebranding, can displace the indigenous organization thus obliterating its identity. In order to implement a successful Placemaking strategy, the history of place must be understood since its identity is interconnected with the history of the population.

According to Dolores Hayden, Placemaking is the history of landscape, the production of space and how places are planned, designed, built, inhabited, appropriated, celebrated, and discarded, thus intertwining cultural identity, social history and urban design with production of space, and begins as soon as indigenous residents locate in the new landscape¹²¹. Hayden also states that identity is intimately tied to memory (both personal memories and social memories) interconnected with the histories of our families, neighbors, fellow workers, an ethnic communities. Thus the urban landscapes are transformed and become “storehouses for these social memories”. She states that “places are critical to their well being or distress”¹²².

¹²¹ Hayden, Dolores. *The Power of Place, Urban Landscapes as Public History*. 1995.

¹²² Ibid.

Lefebvre argues that every society in history has shaped a distinctive social space that meets its intertwined requirements for economic production and social reproduction and begins as soon as indigenous residents locate themselves in a particular landscape. He stresses the importance of space for shaping social reproduction. He states that ethnic vernacular arts traditions have often operated in a similar way to instill community pride and signal the presence of a particular community in the city. He adds that People's experiences of the urban landscape intertwine the sense of place and the politics of space. If people's attachments to places are material, social, and imaginative, then there are necessary dimensions of new project to extend public history in the urban landscape¹²³.

Lefebvre also states that space is a social product which is fundamental to the reproduction of society and essential for class struggle. Therefore, if space shapes history, culture, and social norms, taking these into account when creating place, will create a connection with and within the community. Placemaking can capitalize on local community assets, inspiration, and potential ultimately creating public spaces that promote health, happiness and well being.¹²⁴

¹²³ Lefebvre, Henri. *The Production of Space*. 1995. Blackwell.

¹²⁴ Project for Public Spaces: *Building Community, Creating Places, Using Commonsense*.

II. Problem Statement and Analysis

Problem Statement

The problem this project will address is the high unemployment rate in the Pico Union Area which appears to be directly tied to the high crime rate in the area since many of the youth and young adults within BPO are unemployed or underemployed and may therefore turn to criminal activities as a way to earn income for food and other basic needs. The unemployment rate in Pico Union is 12.94%, more than twice than the Los Angeles County and California at 6.2% and 6.4%, respectively¹²⁵. The unemployment rate of 16-19 is about 9%, and 8% for the age group of 20-24. While, this rate is very similar to the unemployment rate at the City level, approximately 51% of the population is not part of the labor force compared to 40% citywide. This group is therefore not counted in the unemployment rosters. The high incidence of unemployment is therefore higher once the uncouncted population is included.

Contributing factors to the high unemployment rate may be lack of skills and low educational attainment levels. Based on the population 25 years and older, approximately 73.1% of the population have no high school diploma, compared to 33.7% at the City of Los Angeles level. Only 6.2% graduate from college with at least a bachelor's degree compared to 25.5% in the City of Los Angeles. Another very disturbing statistic is that while male and female population is evenly distributed, approximately 73% of children under the age of 18 years live in families with female householders (no

¹²⁵ The figures are based on 2008 statistics. As of March 2009 preliminary unadjusted unemployment figures, California's unemployment rate was 11.9%. The County of Los Angeles had an unemployment rate of 11.3%, Employment Development Department, Labor Market Information Division. <http://www.calmis.ca.gov/file/lfmonth/countyur-400c.pdf>

husband)¹²⁶. This subset needs strong support in the form of before and after-school opportunities where children can receive supervised attention and care, assistance with homework, and other healthy activities. Unfortunately, Pico Union lacks before and after school safe havens.

As identified in various needs assessments and City of Los Angeles Reports, there is a need for more education and development programs for youth and new opportunities for job creation. The need to improve education and skills for this age group is important since this is the future workforce. Some of the strategies identified include raising student achievement and promoting safe learning environments as well as helping grow emerging businesses and existing businesses in major industry clusters located in adjacent areas. The goal is to help these businesses grow and expand so they can create well paying jobs.

Problem Analysis

According to the Annie E. Casey Foundation's initiative "Rebuilding Communities", there are five key strategies to successful community economic revitalization. Beginning with developing a capable and effective neighborhood governance collaborative; maximizing the commitment and capacity of residents and institutions; increasing public and private investments; promoting housing and infrastructure development and creating good-quality neighborhood based service delivery systems¹²⁷. All with the exception of promoting housing development are included in the Bringing Priorities in Order (BPO) project. The reason housing has been excluded is because there are many strong

¹²⁶ U.S. Census Bureau. [www.census.gov](http://factfinder.census.gov/). <http://factfinder.census.gov/>

¹²⁷ Zdenek, Robert O. Toward Comprehensive Approaches for Strengthening Communities. Shelterforce Online. Issue #74, March/April 1994.

community development entities in the area that already practice development of affordable housing and there are many financing vehicles such as the low income housing tax credit program and section 8 program for such developments to move forward. However, there is a lack of other important capital components for the other components of the BPO project. BPO includes a holistic approach that incorporates the five forms of capital, as follows:

Capital Type	Definition
Human	An individual's investment in personal productivity, which is a person's ability to add value by doing work. Education and work are the basic forms of human capital ¹²⁸ .
Social	Ownership of class-derived social relationships or earned relationships that facilitate social networks ¹²⁹ . Social networks and relationships that enable people to act collectively ¹³⁰ . Refers to the sense of commitment that induces people to extend favors, expect preferential treatment, and look out for one another's interest ¹³¹ .
Political	Political mobilization to generate economic resources ¹³² . Ethnic based notions of trust, cooperation, and shared fate that yield economic resources ¹³³ .
Economic	Financial capital or money ¹³⁴ .
Cultural	The ethnic norms and customs of individuals and groups of individuals that create the identifying differences of an ethnic group or culture ¹³⁵ . It aims to capture the cultural vitality ¹³⁶ or cultural activities of an area, ethnicity, or race.

$$H + S + P + E + C = \text{Change}$$

The five forms of capital are important to include in a holistic revitalization approach to prepare a better workforce and ultimately improve their socio-economic status. One of the main components of human capital which will help in preparing a better workforce, is to bring more quality child care programs to the area. As reported by

¹²⁸ Light, Ivan and Gold, Steven. Ethnic Economies. Page. 87.

¹²⁹ Ibid. Page 96

¹³⁰ Jackson, Maria Rosario. Art and Cultural Participation at the Heart of Community Life. Pg. 104.

¹³¹ Light, Ivan, Gold, Steven. Ethnic Economies. Page 110.

¹³² Ibid. Page. 124

¹³³ Ibid. Page 122.

¹³⁴ Ibid. Page 85.

¹³⁵ This definition differs by the one used Pierre Bourdieu, which states that Cultural Capital is a class endowed type of capital.

¹³⁶ Jackson, Maria Rosario; Kabwasa-Green, Florence; Herranz, Joaquin. Cultural Vitality in Communities: Interpretation and Indicators. Cultural Vitality is defined as follows: The evidence of creating, disseminating, validating and supporting arts and culture as a dimension of everyday life in communities. Pg. 13.

the Insight Center for Community Economic Development¹³⁷, providing a safe and stimulating setting for healthy development of children assists them in being more ready to succeed in school and life. While, it has been shown that the childcare industry can be beneficial in the short and long term, there is a lack of child care spaces and even less quality child care spaces.

In Los Angeles County, there are approximately 1.05 million children ages 0-13 that have parents in the workforce, but only 264,672 estimated number of licensed child care slots¹³⁸. These licensed child care slots provide only 25% of the demand in Los Angeles County. Of those child care slots available, only about 19% are full time. In addition to the barriers already described, quality child care is expensive. The average cost of part-time preschool in California for one academic year is about \$4,022, which is similar to the cost of a year attending at a Cal State University and unfortunately, state funded programs do not fill the gap in providing preschool among low income children¹³⁹.

Studies from the RAND corporation¹⁴⁰ show that children who attend quality child care are more likely to succeed in school and beyond and that for every dollar invested in quality child care, the return to society is more than double in the form of reduced special education and most importantly reduced crime and incarcerations costs. Childcare provides children with higher cognitive skills, greater school achievement, less use of school remedial services in early adolescence, higher high school completion and lower

¹³⁷ Brown, B. (2008). The Economic Impact of the Early Care and Education Industry in the Los Angeles County. Insight Center for Community Development.

¹³⁸ The California Child Care Portfolio. Los Angeles County by the Numbers. 2007.

¹³⁹ Reich, Kathleen. Community Investments. Volume 19, Number 2. The Power of Preschool: Early Year Investments Yields Solid Returns. Fall 2007.

¹⁴⁰ Karoly, Lynn A. and Bigelow, James H. The Economics of Investing in Universal Preschool Education in California. RAND Corporation. 2005.

arrests by the age of 20¹⁴¹. Therefore, this is an important strategy to reduce crime by investing early in the form of quality child care and early education. In addition, quality childcare provides confidence in these children which is of utmost importance since lack of confidence makes a child more susceptible to dropping out of school and more susceptible to gang recruitment¹⁴².

While increasing access to quality child care is important, it is just as important to reduce existing gang activity. According to the City of Los Angeles, traveling to and from school can be the most stressful part of a student's day¹⁴³. Therefore, in addition to improving educational achievement, it is important to help keep youth in safe and secure environments. Areas of high gang activity experience a high incidence of deaths among its youth. An analysis done by the Centers Disease Control statistics and interpreted by the Violence Policy Center, a gun-control advocacy organization shows that homicide is the leading cause of death for African American youth people ages 15-34, with 90% of them shot to death. Among African Americans 15-24, 42% of all deaths were homicides. For whites, the rate is 8.5%¹⁴⁴. While this study includes only African Americans, it is presumed that there are similar percentages among the Latino population living in areas of high gang activity.

According to the Community Redevelopment Area of the City of Los Angeles (CRA) the area suffers of physical blight coupled with high levels of unemployment/ underemployment and an extremely high population turnover. While there is a higher

¹⁴¹ Reynolds, Temple, Robertson, Mann. "Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Centers". Educational Evaluation and Policy Analysis, Vol. 24, No. 4. 2002. Pg. 267-303.

¹⁴² City of Los Angeles. Gang Reduction Strategy. April 2007.

¹⁴³ Ibid. pg. 31.

¹⁴⁴ Violence Policy Center. Black Homicide Victimization in the United States: An Analysis of 2005 Homicide Data. Retrieved March 2008 <http://vpc.org/studies/blackhomicide08.pdf>. pg. 1.

than normal turnover because there is a number of residents that eventually move out of Pico Union into other areas of the City, the newer waves get to learn from the more established residents the norms of living in the United States and the class and race system that exist in the United States. This invaluable information which has existed for decades is passed on to the newcomers. An important component of human capital in the form of survival networks. This form of survival networks has created a cultural richness that is shared by those from the same Country of origin and those that share same experiences. The area includes a medley of many different cultures, which can be a strong asset of the community in the form of social and political capital.

However, the different ethnicities also pose major challenges in Pico Union due to the several enclaves of residents from various countries which have created a culture clash and a continued lack of acceptance of the newer arriving groups. This problem creates further isolation within the community. The Pico Union area is notorious for the rivalry that was created as a consequence of the immigration of Central Americans that occurred in the 1980s into an area that previously had a high percentage of mostly Mexicans. As a consequence of the changing demographics, the area is plagued with discrimination stemming from country origination.

The most widely known discrimination is that of Mexicans against Central Americans, with the strongest against Salvadorans. During the 1980s, when the area saw the first large wave of Salvadorans, there was a strong anti-Salvadoran sentiment prevalent in the Pico Union area. As a large wave of Central Americans began to immigrate, there continued to be white flight which was soon joined by flight from the existing Mexican population. This large wave immigrated as a response to the eruption of

the Salvadoran Civil War. The largest wave was around 1985 when the war was at its worst. The Salvadoran Civil war erupted after decades of injustices to the indigenous poor and farmers and lower wage employees by the government in power which had nationalized private companies and had taken over privately owned land.

Many Catholic priests fought against the injustices made by the government, which were receiving large amounts of U.S. military aid. The government's response was a series of atrocities made by the Salvadoran National Guard and government-related death squads which murdered several Catholic missionaries, international aid workers and its own Salvadoran citizens. There are many infamous large massacres such as the El Mozote Massacre which raided towns, murdered women, men and children and raped women and young girls. Several leftist groups and the Partido Frente Farabundo Marti Para La Liberacion Nacional (the Farabundo Marti National Liberation front or FMLN)¹⁴⁵ went against the government during the Civil War which began in 1980 and ended in 1992. It is estimated that approximately 100,000 deaths occurred during the civil war.

As a consequence of the war, in the early 1980s, the area of Pico Union saw a large wave of immigrants fleeing from the civil war. The early exodus from El Salvador included middle class professionals (lawyers, engineers, architects, accountants and doctors), university students as well as the proletarian class. This population naturally gravitated into an area of the United States where there were other Salvadorans residing. However, Salvadorans came into an area which had mostly Mexican

¹⁴⁵ The name stems from the 1932 Salvadoran peasant uprising, referred to as La Matanza (the massacre), which was headed by Farabundo Martí. Approximately 30,000 indigenous people and political opponents were murdered, imprisoned or exiled.

descendants and first generation Mexican-Americans who received them with distrust and discrimination. The discrimination was felt by all ages including children. Mexican descendants began to model behavior from their own parents and these kids grew intolerant of those they felt were different.

In those early years, many of the children and teen Salvadorans attending the local public schools were constantly being mocked and even beat up by Mexican youth. The rivalry was so intense that it created a new set of gangs in the area. In order to reduce the blunt discrimination, many children and youth began to lie about their country of origin as a way of stopping the discrimination. Many learned very quickly the differences in accents and voice pitches of the Mexican Americanized youth of the area which did not speak English but instead a mixture of Spanish and English with a "Pocho"¹⁴⁶ twist.

But children and youth were not the only ones being discriminated. Adults were also being discriminated in the workforce by having jobs denied only because of the country of origination. This worsened after the large wave of Central Americans in 1985 when low-wage jobs became scarcer. The discrimination experienced created much animosity between the two groups. This animosity still exists in the present day. While most of the jobs were considered low-wage dead end jobs, they were indeed the only type of jobs a newly arrived resident could get and therefore an invaluable piece to the well-being and sustenance of a family. This was a resource that was unjustly being

¹⁴⁶ A slur used to describe a Hispanic who is born and/or raised in the United States. The literal meaning of *pochos* is a "rotten fruit." Used to describe Mexican Americans living in the United States who are thought to be badly educated and without a "proper" sense of Mexican culture, having forgotten or rejected their Mexican heritage. It is used specifically for those Mexican-Americans that do not use Spanish in a proper way but with a particular series of mistakes related to their English education. Some Mexicans believe that *pochos* speak a bastardized hybrid of English and Spanish (often called Spanglish). <http://en.wikipedia.org/wiki/Pocho>

withheld and controlled by those from Mexican descent and reserved for others of Mexican descent.

The Salvadoran population in the early 1980s was few in the Pico Union area relative to today's numbers. However, it was still an area that had the most linkages to their ethnic identity and culture in the United States. Today, it is an ethnic community established by people from their own country and a community where many of their traditional cultural norms are found. The most important feature of ethnic resources is the ability to contribute to economic survival and achievement among groups lacking class-based endowments of skill, education, or economic capital¹⁴⁷.

While it is difficult to understand the full spectrum of reasons related to the discrimination, the most plausible explanation is that the Mexican population may have reacted to an immigration wave that was so large that in a matter of half a decade, the mix within Pico Union changed to a much larger Salvadoran population. Unfortunately, today many newly arrived Salvadorans are still forced to lie about their country of origin in order to secure many jobs. While the job hold by Mexicans is not as strong as it was in the 1980s, the discrimination still exists.

This form of discrimination is still being documented as evidenced by a recent article in the L.A. times which narrates the dilemma a Salvadoran encounters when applying for a job in the Westlake area in a kitchen where the cook is of Mexican descent¹⁴⁸. While the article depicts a non-confrontational Salvadoran trying to mix in,

¹⁴⁷ Light, Ivan and Gold, Steven. *Ethnic Economies*. pg. 106.

¹⁴⁸ L.A. Times. Central American Immigrants Adopt Mexican Ways in the U.S. November 3, 2008.

<http://www.latimes.com/news/local/la-me-salvadoran3-2008nov03,0,5647680.story?track=rss>

there were many others that were offended by the discrimination experienced and reacted strongly against it.

Another explanation to the friction may stem from the fact that many of the early arrivers from El Salvador included a wide spectrum of middle class professionals, small business entrepreneurs and proletarians fleeing from a war and coming into an impoverished area with high crime and values that contrasted theirs. Since Latin America is a classist area more so than a racist area, the difference between a middle class or entrepreneurial class and that of lower class that appeared to not wish to work and prosper¹⁴⁹ was exemplified during the early years. Classism is a biased or discriminatory attitude based on distinctions made between social or economic classes¹⁵⁰.

While classism exists strongly in Latin America, it is a somewhat weaker form of discrimination in the United States particularly within the lower-income populations. Classism becomes stronger as the income levels rise among the population caste or strata. Therefore, many of the Mexican population reacted forcefully to this type of discrimination since many saw the classist views as those of 'bourgeois'¹⁵¹. While the dictionary's definition of bourgeois is a member of the middle class or dominated by materialistic pursuits, the meaning of the word in this case is that of a person or group that treats others of a lower perceived caste as if they are inferior in social or economic stature, another form of discrimination.

¹⁴⁹ Want to make it clear that this may have been the perception. In actuality, the youth living in the Pico Union area in the 1980s were experiencing the same lack of access to jobs that is still seen in present day.

¹⁵⁰ Dictionary.com. <http://dictionary.reference.com/browse/classism>

¹⁵¹ Dictionary.com. <http://dictionary.reference.com/browse/bourgeois>

However, classism among the lower-income population is not easily grasped by those born in the U.S. within an impoverished area. It is important to note that this creates a difference in the way discrimination is exerted between those born outside of the U.S. and first generation U.S.-born Americans. The latter do not fully comprehend the classist attitudes since a youth born and raised in a low income area within the United States does not experience this type of discrimination unless they interact with higher income individuals. Instead the first generation U.S. born reacts to immigrant discrimination.

Immigrant discrimination is different from racism; it is a type of discrimination constantly experienced in ethnic communities with high populations of residents born outside of the United States. It is the intolerant reaction towards others that lack legal status. This type of discrimination has been imposed on newly arrived immigrants since the 1800s with the first European immigrant that arrived in the U.S. This type of behavior is easier to encourage in the U.S. since discrimination is ingrained not only in the history of this country but also the nation's psyche as evidenced by the discrimination on different racial groups over the history of the U.S.

During the early 1980s, discrimination was not only among employment related issues, it was also among local nonprofit organizations that turned away Salvadorans seeking housing or services assistance. Few resources were provided to the Salvadoran people and other Central Americans by the existing nonprofits in the area. Many Nonprofits were providing services only to those of Mexican descent which were considered to be of permanent residency but not to those considered to be refugees fleeing from war and therefore seen as residing in the states only on a temporary basis.

Only a handful of grassroots organizations in the Pico Union area provided services to the early Salvadoran and Central American immigrants. Most were provided by churches in the area which is what has come to be known as “L.A.s Sanctuary Movement of the 1980s”¹⁵² for the mostly Salvadoran and Guatemalan refugees fleeing the civil war. Today, almost thirty years later, many organizations are still lacking strategies for addressing the issues presented by large undocumented immigrant populations¹⁵³.

While the early 1980s were extremely challenging for the early Central American born residents, many of the early arrivers fleeing the civil war were persons being persecuted for political reasons with no other options than to flee. However, they brought with them strong organizing skills, which they used in the U.S. to further Salvadorans issues. From the early roots of the 1980s, there are now many entities that have been created to further the education, political clout and economic status of the Salvadoran people. The lack of resources and services in the early years for Central Americans prompted the creation of nonprofit organization to serve Central Americans, many of which exist to this day, such as El Rescate, Central American Resource Center (CARECEN), and the Salvadoran American Leadership and Education Fund (SALEF).

While there have been significant advances within the Salvadoran population, today there are tensions within some of the Salvadoran organizations and within the Salvadoran population based on Salvadoran political affiliations. Most of the tension is

¹⁵² Gzesh, Susan. University of Chicago. Central Americans and Asylum Policy in the Reagan Era. Migration Information Source. April 2006. <http://www.migrationinformation.org/Feature/display.cfm?ID=384>

¹⁵³ Gibbons, Andrea and Haas, Gilda. Redefining Redevelopment: Participatory Research for Equity in the Los Angeles Figueroa Corridor. Figueroa Corridor Coalition for Economic Justice. September 2002. Pg. 12.

across political parties around the two largest political parties in El Salvador, the FMLN¹⁵⁴ and the Alianza Republicana Nacionalista (Nationalist Republican Alliance or ARENA). The FMLN, which was an integral player in the war, eventually became a political party and finally won the El Salvador presidency of 2009 marking the first time the ARENA party loses an election in 18 years.

Today, the area still suffers from country origination discrimination and separatism among organizations within the area. A recent example occurred recently when a historic designation name was sought for part of the Westlake area. On May 7, 2007, the National Central American Roundtable (NCAR) submitted a petition and application requesting a historical designation of Westlake/Pico Union as “Historical Central America Town”. On May 8, 2007, the Salvadoran American Leadership and Education Fund (SALEF) requested and filed a separate application for the designation of the area to be designated as “Central American Historic District”. Two opposing entities with the same goal to designate the area as part of the Central American heritage.

In July 2007, Pico Union Housing Corporation (PUHC) presented opposition to the designation of Pico Union, Westlake and McArthur Park areas as “Historic Central American Town”. While there were many signatures presented with the PUHC opposition package, the main reason why the applications were ultimately rejected was

¹⁵⁴ See Organizing/Political Capital Section. .

because two different organizations had submitted separate applications and while both were to request a name designation, both were competing applications¹⁵⁵.

While there are positive outcomes from the organizing attitudes that many of the Salvadoran population brought, there is also a negative side to this type of organizing attitude. The discrimination experienced by the early young newcomers fed the creation and the need to seek protection from gangs' harassment and beatings. Gang affiliations due to immigrant status, ethnic or country differences have plagued ethnic communities since the 1800s when the first European born immigrants reached the states. Unfortunately, it will continue, unless parents stop breeding hatred and instilling the disease of discrimination in their children for the newly arrived.

As a consequence of the immigrant discrimination in the form of harassment and beatings, the early 1980s saw the creation of Mara Salvatrucha (MS-13). The protection sought through the affiliation of MS-13 was to counteract assaults from both the established Mexican gangs such as the 18th Street, Temple Street and the Harpys gangs but also from the other smaller cliques of the area which were discriminating against immigrants. The environment determines what we learn, how we learn it and the rules for living with others¹⁵⁶. So initially it was a normal progression to seek protection and acceptance. Unfortunately by the 1990s, MS-13 had morphed into a full blown gangster style group.

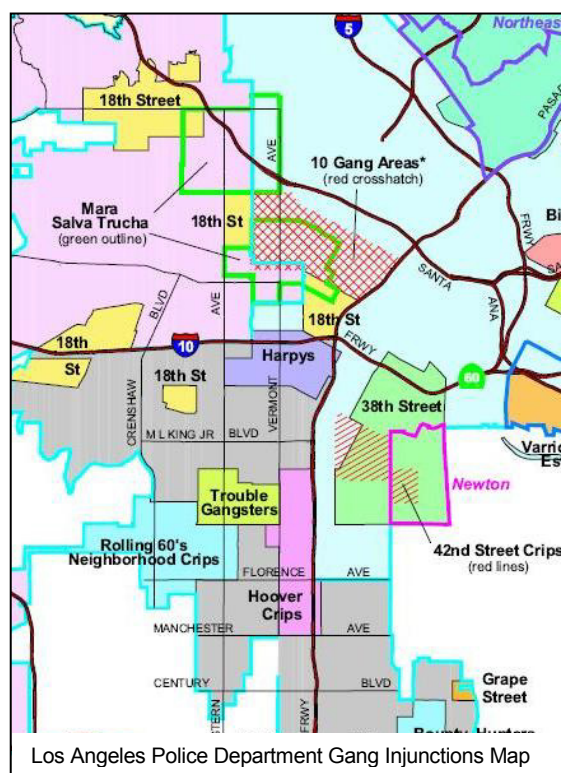
¹⁵⁵ Interview with Francisco Rivera, President and CEO of National Central American Roundtable (NACART) and President of the Board of El Rescate. April 1 2009. .

¹⁵⁶ Community Tool Box. Page 2.

According to the city of Los Angeles, the Mara Salvatrucha (MS-13) has an estimated 1,000 members in Los Angeles alone¹⁵⁷. At the same time, the other opposing established gangs and smaller cliques were also graduating into stronger gangs with the full blown 'cholo'¹⁵⁸ attire, language and attitudes. As a consequence, the area of Pico Union became one of the most gang-infested areas and to this day is still notorious for its high crime. In the 1990s, the Pico Union area was labeled as the West Coast's largest, most violent market for illegal drugs¹⁵⁹. Today, the City of Los Angeles is home to the largest and most established gang population in the country,

estimated at over 400 different gangs¹⁶⁰.

Today, both the Westlake and Pico Union areas continues to be plagued by high crime, graffiti and image blight mostly due to the high gang activity of the area and gang related crimes. The area is covered by Rampart Station of the Los Angeles Police Department (Central Bureau). As of 2009, the Central Bureau has 19 gang injunctions with several notorious gangs some of which are located in the Pico Union and vicinity including



¹⁵⁷ City of Los Angeles Gang Reduction Strategy. April 18, 2007. Pg. 7.

¹⁵⁸ A Cholo is stereotypically depicted as wearing loose fitting khaki pants or shorts, with white knee-high socks, creased jeans, so-called "wifebeater" white tee shirts, and button-front shirts. Cholos in the 1990s and 2000s frequently had their hair buzzed very short, though some continued to have the more traditional slicked back hair, sometimes held in place by a hair net or a bandana. The Cholo has its own language slang and have very specific attitudes such as specific modes of walking, greeting, speaking, dancing, and relaxing. Adapted from [www.wikipedia.com](http://en.wikipedia.org/wiki/Cholo). <http://en.wikipedia.org/wiki/Cholo>

¹⁵⁹ Weikel, Dan. Will Fear Again Rule Neighborhood. Los Angeles Times. February 15, 1998.

¹⁶⁰ City of Los Angeles Gang Reduction Strategy. April 2007. Pg. 2.

MS-13, 18th Street, Harpys, Crazy Riders, Orphans, Rockwood, Street Criminals and Drifters.

As shown in red crosshatch in the LAPD Gang Injunction map, the Westlake Community is home to a 10 gang area. The high number of gangs confined to a few square miles increases the friction and activity among enemy gangs. According to the Los Angeles Police Department, there are currently 37 active injunctions in the city involving 57 gangs. A gang injunction is a restraining order against a group. It is a civil suit that seeks a court order declaring the gangs' public behavior a nuisance and asking for special rules directed toward its activity¹⁶¹.

According to the Los Angeles Police Department, in smaller areas, gang nuisance activity can be permanently removed through gang injunctions. In larger areas, with gangs entrenched for years such as in the Pico Union area, the gang's hold of the area can be reduced and maintained with a small team of law enforcement officers and community partnerships. Therefore the need to form strong coalitions with police and other justice driven groups is also important to limit the increase in gang activity and ultimately reduce it.

During the first two months of 2008, the Rampart area reported robberies were up 22%, aggravated assault was up 11% and shooting victims were up 55%. During the first two months of 2009, robberies had remained stable and aggravated assault had decreased 26%¹⁶². However, homicide was up 75%¹⁶³, a statistic that correlates with the increased activity in gang related crime in a downturn economy. In 2006,

¹⁶¹ Los Angeles Police Department Official Website. http://www.lapdonline.org/gang_injunctions/content_basic_view/23424

¹⁶² Compstat Rampart Area Profile 02/22/09 – 03/21/09, dated 03/23/09.

¹⁶³ Compstat Rampart Area Profile 02/22/09-03/21/09, dated 03/23/09.

approximately 56% of all homicides in the City of Los Angeles were gang-related and 70% of all shootings involved gangs. In addition, there were over 270 people that lost their lives to gang violence and over 1,500 people were victims of gang related shootings¹⁶⁴.

The high crime of the area is perceived as a serious threat to the public safety and welfare of its residents and contributes to the negative perception of the area. The high incidence of crime reinforces the perception that the area is high risk for investment which may cause further disinvestment and a more acute lack of access to capital in the area. Historically, the area has suffered from historical disinvestment and a lack of access to capital for economic growth. The stable only capital funneled into the area comes in the form of federal, state and local subsidies mostly for a limited set of social services and affordable housing.

However, more recently as a consequence of the L.A. Live Sports and Entertainment Complex, the rebranding of the adjacent area of Downtown-West, and the expanded area of businesses serving Koreatown, the Pico Union area has seen an increase of capital from real estate speculators and private sources with a large amount from the Korean population¹⁶⁵. Given the pressures of limited space being experienced in the adjacently located Koreatown area, in 2009, the Korean community proposed an expansion of the Koreatown name designation to be expanded beyond the existing boundaries to Melrose Avenue/Beverly Boulevard on the North, Pico Blvd on the South,

¹⁶⁴ City of Los Angeles Gang Reduction Strategy. Presented April 18, 2007. Pg.8.

¹⁶⁵ Interview with Silvia Beltran, Field Deputy of Westlake, Pico Union, and Mid-Cities areas of Council District 1 of the City of Los Angeles. April 22, 2009.

Vermont Avenue on the East and Wilton/Crenshaw Blvd. on the West¹⁶⁶. As a consequence, despite the high poverty and crime, the area has seen an increase in private capital from conventional sources.

An analysis of the 2007 FFIEC data shows that more than \$13 billion were infused into the target area by Community Reinvestment Act (CRA) driven lending. While the figure is large, the analysis shows that most of the lending was infused in two of the eight census tracts, 2100.10 and 2095.10, which in total received in excess of 45% of the loans.

	CRA Lending	Loan Amount at Origination		Loan Amount at Origination		Loan Amount at Origination		Loans to Businesses With Gross Annual Revenues <=\$1 Million	
		<=\$100,000		> \$100,000 but <=\$250,000		> \$250,000			
		# of Loans	Amount	# of Loans	Amount	# of Loans	Amount	# of Loans	Amount
2100.10	40%-50%	216	\$ 3,007,000	7	\$ 1,479,000	2	\$ 1,275,000	90	\$ 2,099,000
2095.10	30%-40%	178	\$ 2,466,000	4	\$ 825,000	4	\$ 2,039,000	87	\$ 2,669,000
2095.20	40%-50%	156	\$ 1,606,000	1	\$ 200,000	2	\$ 870,000	73	\$ 1,847,000
2098.10	30%-40%	61	\$ 945,000	0	\$ -	0	\$ -	30	\$ 434,000
2098.20	20%-30%	35	\$ 573,000	0	\$ -	0	\$ -	18	\$ 365,000
2242.00	40%-50%	128	\$ 1,723,000	3	\$ 530,000	1	\$ 910,000	43	\$ 575,000
2243.10	30%-40%	43	\$ 411,000	0	\$ -	2	\$ 1,076,000	23	\$ 362,000
2243.20	40%-50%	86	\$ 1,087,000	2	\$ 330,000	5	\$ 3,140,000	31	\$ 1,701,000
Total PU Loans		903	\$ 11,818,000	17	\$ 3,364,000	16	\$ 9,310,000	395	\$ 10,052,000
LA County Total		651,515	\$ 7,501,514,000	7,381	\$ 1,272,566,000	7,600	\$ 4,340,364,000	262,595	\$ 5,216,814,000
% of County Total		0.14%	0.16%	0.23%	0.26%	0.21%	0.21%	0.15%	0.19%
% to 2100.10		23.92%	25.44%	41.18%	43.97%	12.50%	13.69%	22.78%	20.88%
% to 2095.10		19.71%	20.87%	23.53%	24.52%	25.00%	21.90%	22.03%	26.55%

Census tract 2100.10 received the largest percentage with 24% of the lending and it is the census tract adjacent to the L.A. Live Sports and Entertainment Complex. Census tract 2095.10 is the tract that houses the Parkview area, one of the areas

¹⁶⁶ Ibid.

undergoing gentrification, and is located adjacent to Koreatown. This census tract received 22% of the lending dollars.

In addition, while approximately 42% of total loans made and 41% by dollar volume were made to businesses/entities with gross annual revenues less than \$1 million, it represents only 0.15% total number of loans and 0.19% by volume when compared to the Metropolitan Statistical Area (MSA) loan origination to businesses earning less than \$1 million. Again, this evidences that the majority of the loans went into two census tracts, about 21% into 2100.10 and more than 26% into 2095.10.

Based on comparison of payroll data, the establishments within the Pico Union area much smaller in size when compared to the total establishments within the County and many earn less than the \$1 million mark of revenue generating businesses.

County Business Patterns	90006	90015	County
Number of Establishments	1,077	2,788	249,977
Number of Employees	9,367	31,682	5,374,338
First Quarter Payroll (In \$1,000)	64,478	280,560	42,557,560
Annual Payroll (In \$1,000)	274,212	1,138,977	174,873,234
Average Employees per Est.	8.70	11.36	21.50
Avg. Employee Salary (In \$1,000)	\$ 29.27	\$ 35.95	\$ 32.54
Avg. Salary Expense per Establishment (In \$1,000)	\$ 254.61	\$ 408.53	\$ 699.56

Businesses located within the two zip codes that cover the target area have on average 10 employees, while the County average is 21 employees. Within the target area, about 83% of the businesses have less than 10 employees. With the majority

(about 65%) with 1-4 employees. At the County level, 74% of the businesses have less than 10 employees¹⁶⁷ and 58% have 1-4 employees.

	Number of Establishments by Employment-size class									
	Total Estabs	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 or more
90006	1,077	712	178	90	73	12	11	0	0	1
		66.11%	16.53%	8.36%	6.78%	1.11%	1.02%	0.00%	0.00%	0.09%
90015	2,788	1,789	512	268	137	35	31	9	4	3
		64.17%	18.36%	9.61%	4.91%	1.26%	1.11%	0.32%	0.14%	0.11%
County	249,977	145,039	41,634	28,487	21,273	7,583	4,320	1,044	370	227
		58.02%	16.66%	11.40%	8.51%	3.03%	1.73%	0.42%	0.15%	0.09%

A survey completed on a subsection of business owners within the BPO area show that these businesses have on average 6 employees¹⁶⁸. Therefore, the businesses in the target area are smaller than the County average. Many of the businesses within the BPO area expressed that capital access is one of the challenges in growing small businesses¹⁶⁹. While these small establishments have entrepreneurial capacity, entrepreneurs in ethnic communities, just like other businesses need resources¹⁷⁰.

While the area of Pico Union currently does not have a robust small business base that can create jobs because of the business size and limited resources available to grow, by helping start new business and helping existing businesses grow, and the area will see the creation of entry level jobs. This form of human capital is invaluable to help the underemployed gain the necessary skills to climb into better jobs. Especially for tapping into better paying jobs located in the industry clusters surrounding the area which require

¹⁶⁷ 2006 County Business Patterns. U.S. Census. <http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl>

¹⁶⁸ Pico Union Housing Corporation Business Survey. Survey conducted April – May 2009.

¹⁶⁹ Characteristics of Minority Businesses and Entrepreneurs: An Analysis of the 2002 Survey of Business Owners. Department of Commerce, Minority Business Development Agency (MBDA). March 2008. Pg. 5.

¹⁷⁰ Light, Ivan and Gold, Steven. Ethnic Economies. page 83.

that a person have the human capital associated with knowing the norms related to leading a working lifestyle.

This is an important piece to economic development since the surrounding area includes many areas known as “sticky regions” or regions that retained industries, mostly smaller in scale that survive despite market downturns or against falling incentives¹⁷¹. These small industry businesses survive in large part to collaborative networks that exchange business information, access to capital, and government encouragement¹⁷².

Los Angeles is the largest major manufacturing center in the United States, with 500,000 workers in manufacturing activities in 2003. The largest components are apparel (68,300 jobs), computer and electronic products (60,000 jobs), transportation products (54,600 jobs), fabricated metal products (49,900 jobs), food products (44,800 jobs), and furniture (27,400 jobs). The three-tiered, traditional economy (aerospace, entertainment, and tourism) has evolved into a well balanced, multi-tiered economic engine driven by unparalleled access to world markets¹⁷³.

Some of the business networks/roundtables that service these sectors include the Food Industry Business Roundtable (FIBR), Bio-Medical Industry Roundtable, the Southern California Bio-Medical Council, Toy Association of Southern California, Plastic Industry Consortium, Apparel Roundtable and the Los Angeles Furniture Design and Manufacturing Collaborative¹⁷⁴.

¹⁷¹ Hoffman, Alexander Von. *House by House, Block by Block*. 2003. Oxford University Press. pg. 233

¹⁷² *Ibid.* Pg. 233.

¹⁷³ City Data.com. <http://www.city-data.com/us-cities/The-West/Los-Angeles-Economy.html>

¹⁷⁴ Community Development Technologies Center. <http://www.cdtech.org/oldsite/lamni.html>

Creation of new businesses is associated with economic growth innovation and creation of jobs¹⁷⁵. The tremendous cultural diversity has driven key growing business sectors in ethnic communities and the economy has a growing dependence on these small and medium sized businesses. However, this can also be a vulnerability since this group has a more difficult time accessing capital. Without effective capital access, this group will be unable to grow effectively¹⁷⁶.

Another vulnerability is that the Los Angeles County economic growth is being driven by small business sector especially ethnic owned businesses. Many of these establishments are owned and operated by immigrants who cannot access many subsidized small business programs, such as the Small Business Administration programs, due to their legal status.

While this population has even heavier barriers than most small businesses to access services, it is a strong economic driver. There are about 1.5 million immigrant business owners in the United States which represent 12.5% of all business owners in California, or 30% of all immigrant owned business in California¹⁷⁷. Business ownership is higher among foreign-born than the native born, so immigrants would have even higher ownership and success rates if they had similar access to services and programs to those U.S. born¹⁷⁸.

The largest contributing country of immigrant owned businesses is Mexico representing 2.22% of all U.S. business owners followed by Korean immigrant business

¹⁷⁵ Fairlie, Robert W. Estimating the Contribution of Immigrant Business Owners to the U.S. Economy. Small Business Administration Office of Advocacy. Pg. 18. November 2008.

¹⁷⁶ Klowden, Kevin, Wong, Perry. Los Angeles Economy Project: Executive Summary and Recommendations. Milken Institute. October 2005. Pg. 3.

¹⁷⁷ Fairlie, Robert W.. Estimating the Contribution of Immigrant Business Owners to the U.S. Economy. Small Business Administration Office of Advocacy. November 2008. Pg. 10 and 16.

¹⁷⁸ Ibid. pg. 13

owners with 0.78%. However, the large contribution to the total number of immigrant business owners for Mexican owned firms is driven by the large share of Mexicans in the U.S. and not by high business ownership among Mexicans. In contrast 22.6% of Korean immigrants own a business and reason why they are second largest¹⁷⁹.

Part of the large discrepancy may be due to the fact that Korean's have historically enjoyed better ethnic networks which share business operation knowledge and have more established capital sources such as strong capital/co-ethnic funding including loans from kin and friends, Korean American banks, and Korean rotating credit associations¹⁸⁰.

Nevertheless, businesses from foreign born are a strong engine. The foreign born are 34.2% of all new business owners in California¹⁸¹ producing nearly \$20 billion per year in California, which represents nearly 25% of all business income produced in the State¹⁸². In addition, immigrants start 16.7% of all new businesses in the U.S., are 30% more likely to start businesses and represent 30% of all business owners in California, 25% in New York, and 20% in New Jersey, Florida and Hawaii¹⁸³. Therefore, diminishing the barriers that currently exist for immigrant owned business' access to capital will benefit the economic growth of the United States. Tapping into this group will help kick start local economies faster than the more glamorous city strategies such as artist districts and sports arenas¹⁸⁴ or incentives to attract large businesses.

In Los Angeles, immigrant entrepreneurs helped kick start LA's economy after the 1992 riots and have since become an important source of economic growth producing

¹⁷⁹ Ibid. Pg. 14

¹⁸⁰ Ivan Light, Ivan and Gold, Steven. Ethnic Economies. Ethnic Economies. Pg. 155.

¹⁸¹ Fairlie, Robert. Estimating the Contribution of Immigrant Business Owners to the U.S. Economy. Small Business Administration Office of Advocacy. November 2008. Pg. 21

¹⁸² Ibid. pg. 27

¹⁸³ Ibid. pg. 31.

¹⁸⁴ Center for an Urban Future. A World of Opportunity. February 2007. Pg. 3.

many jobs and some of the fastest growing firms¹⁸⁵. Immigrant entrepreneurs in Los Angeles have started significant nationally renowned businesses some of which include El Pollo Loco, Panda Express, Cacique, Lulu's Deserts, Goya Foods, Huy Fong Foods, Koos Manufacturing, Paris Blues, and Forever 21. In addition, at least 22 of Los Angeles' 100 fastest growing firms in 2005 were started by first generation immigrants¹⁸⁶. In 2006, 36 of the 500 largest Hispanic-owned businesses in the U.S. were based in Los Angeles¹⁸⁷.

While larger immigrant owned business are important, smaller businesses have also contributed to the economic growth of Los Angeles. The number of firms with less than five employees increased by 67% between 1994 and 2004. The net gain accounted for 94% of the overall growth in the number of businesses during the period¹⁸⁸. Furthermore, these businesses generate 75% of all new jobs. However, this group is mostly overlooked and is not even on the radar of business programs and local economic development political officials¹⁸⁹.

Pico Union has a competitive advantage because of its close proximity to the downtown business districts, entertainment and tourist centers, film industry, the arts and most importantly close proximity to major industrial/manufacturing clusters and growth industries such as food processing industry, fashion/apparel and design, furniture manufacturing, metals manufacturing and toy manufacturing industries. It is also close to other growth industries such as healthcare/bio-medical industries. These are

¹⁸⁵ Ibid. pg. 48.

¹⁸⁶ Ibid. Pg. 5.

¹⁸⁷ Ibid. pg. 48.

¹⁸⁸ Ibid. Pg. 48.

¹⁸⁹ Abramowitz, Adina; Edwards, Bryony; Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance.. 2005. pg. 5

opportunities that Pico Union can use to its advantage. However, some of the disadvantages are high home prices and traffic congestion.

While small business capital has been scarce in the Pico Union area and investors are interested in the Pico Union area for reasons outside of the merits of the area within, there are strong possibilities to attracting outside investments for merits that will directly benefit the target area. According to Michael Porter in “A Competitive Advantage of the Inner City”, a sustainable economic base can be built in the inner city only if it is based on economic self-interest and genuine competitive advantage¹⁹⁰. Furthermore, the inner city would never revive unless effective programs that exploit its competitive advantages are introduced¹⁹¹. Therefore the strategies need to align with market forces and existing competitive advantages of the area.

By emphasizing the strengths of the community and implementing Placemaking strategies, outside potential investors can be sought to increase access to capital for the existing population. Pico Union has a strong ethnic economy that needs to tap into the ethnic and mainstream resources. Social capital permits ethnic communities to produce ethnic economies through ethnic resources such as organizational techniques and reactive solidarity¹⁹². Ethnic resources also include ethnic derived social capital, cultural assumptions, native language fluency, and entrepreneurial values¹⁹³.

However, financial literacy is an important piece that is also lacking. This is especially important since small business start-ups depend more on the owner's savings

¹⁹⁰ Porter, Michael E. *Jobs, Wealth or Place: The Faces of Community Economic Development*. Edited by Sherraden, Margaret & Ninacs, Williams A. *Community Economic Development and Social Work*. Community Economic Development and Social Work. 1995. Pg. 11-27. The Hayworth Press, Inc.

¹⁹¹ Hoffman, Alexander Von. *House by House, Block by Block: The Rebirth of America's Urban Neighborhoods*. 2003. Oxford University. Pg. 237.

¹⁹² Light, Ivan and Gold, Steven. *Ethnic Economies*. Pg. 105.

¹⁹³ *Ibid*. Pg. 103.

rather than upon a bank loan. Up to 50% of Latinos do not have a transaction account, such as a savings or checking account, which is the basic starting point in financing management and wealth building. As a consequence, foreign born are unlikely to have basic financial services at mainstream institutions¹⁹⁴. About 70% of all business owners started their business from their own savings rather than from borrowings. Those that did borrow, borrowed from family, friends and kin¹⁹⁵.

Bank loans influence the start-up of big and medium sized businesses; they have a much smaller influence on small business¹⁹⁶. This is partly because historically, banks have ignored the needs of small businesses either because the loan size needed by small businesses makes it unprofitable to originate, or because the business does not have the capacity to produce the needed documentation to make the loan underwritable. Barriers identified to reach the unbanked or underbanked include language barriers, ability to participate since many live paycheck to paycheck, cultural experience in using insured financial tools, less inclined to use banking services which from experiences in their own countries are unreliable. Finally, but just as importantly, immigration status¹⁹⁷ is a major barrier since many of the subsidized federal loan programs require that a borrower be a legal resident.

In addition, access to capital may assist in the growth of businesses in the services sector, which require less capital than other high equipment/capital intensive sectors such as manufacturing or technology. However, the higher capital intensive sectors create more jobs than service sector businesses. Also, given that Los Angeles has a major

¹⁹⁴ Financial Education in Latino Communities: An Analysis of Programs, Products, and Results/Effects. National Council of La Raza. December 9, 2004. Pg. 2.

¹⁹⁵ Ibid. Page. 85

¹⁹⁶ Ibid. Page. 85

¹⁹⁷ Ibid. Page 11.

sector operated by ethnic communities, it is imperative that this subgroup be provided the tools to help their businesses grow, such as financial education, marketing, accounting and program information. The limitations this group has around human capital and business acumen constrains them from participating in the industries that are the key to the region's long-term prosperity¹⁹⁸.

Some of the challenges by ethnic business that were identified include language barriers, high costs and burdensome regulations, access to capital, lack of affordable space, and financial literacy¹⁹⁹. A survey done of a subsection of the businesses located in the Pico Union Area identified some of the same challenges. The survey interviewed businesses located on the main thoroughfares of the BPO. Initially there was much resistance in answering many of the questions due to the distrust of government or any entity that is perceived to be "government affiliated". There were also challenges associated to language differences with the Korean owned businesses located in the area. However, the survey had a success rate of only 25%.

Number of Businesses Surveyed	32	
Number of Businesses Responded	8	25%
Number of Businesses that had Language Barriers	1	3%
Number of Businesses that Declined to Answer	3	9%
Average Years in Operation (Those that responded)	31	
Average Number of Staff (Those that responded)	6	

		COUNT	AVERAGE	%
Years in Operations			31	
# of Staff			6	
Interested in implementing a Chamber of commerce	Yes	6		75%
	No	1		13%
Interested in participating in a chamber of Commerce	Yes	6		75%
	No	0		0%
Interested in façade improvement	Yes	5		63%

¹⁹⁸ Klowden, Kevin, Wong, Perry. Los Angeles Economy Project: Executive Summary and Recommendations. Milken Institute. October 2005.

¹⁹⁹ A World of Opportunity. Center for an Urban Future. Page. 50. February 2007.

	No	1	13%
Interested in a collaborative business façade revitalization	Yes	6	75%
	No	0	0%
Do you want to expand your business	Yes	5	63%
	No	1	13%
Interested in local federal grants or loan programs?	Yes	6	75%
	No	0	0%
Interested in franchising opportunities	Yes	2	25%
	No	3	38%

On average these businesses have been in operation for 31 years and have 6 employees. Many identified challenges such as lack of understanding of city laws and rules due to bureaucracy; and a desire of getting services to access capital and increase sales. About 75% are interested in forming a chamber of commerce that will serve their business needs, while 13% were not interested. About 63% are interested in programs to improve the business location façade, 63% want to expand their business, 25% are interested in franchising opportunities but 38% were not interested and 75% are interested in learning more about government loan and grant programs. Other remarks received were lack of money for the business and learning ways to increase sales. However, based on comments received, it is presumed that many are unbanked or underbanked. While the survey did not include a question about bank accounts, many shared that they do not keep separate accounts for their businesses.

According to Opportunity Finance Network, much of the growth in Los Angeles economy is in the small business sector and especially in immigrant and ethnic owned business²⁰⁰. However, there is a lack of capital for this type of business, in part because the capital needs are too small for a bank to consider them profitable. In addition, while there are alternate community development lenders including many CDFI's that bridge

²⁰⁰ Abramowitz, Adina; Edwards, Bryony; Melford Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance Network. Pg. 4.

capital needs, much of this capital unfortunately has restrictions that prevent deployment of capital to this group²⁰¹. There are 11 CDFI's located in the Downtown Los Angeles area. However, only one CDFI is located within Pico Union and it is the smallest when measured by total assets. In addition, the largest CDFIs offer only housing related products and therefore the capital is not for micro-business/small business needs. Furthermore, business CDFI's have smaller staffs, have lower assets and loans outstanding than housing CDFIs²⁰².

However, in order to attract capital from conventional sources, the perceived area's risk needs to be reduced along with the real financial risks.. One way to achieve the real and perceived risk it to provide credit enhancements to protect against losses of capital invested by conventional lenders in order to induce the funders to infuse capital. According to a study conducted by Opportunity Finance Network, the majority of non-regulated CDFI assets come from debt capital which is provided by banks and by socially motivated investors (religious institutions, foundations, individuals)²⁰³.

Some of the credit enhancements that currently exist that may work with the BPO strategies include Program Related Investments (PRIs)²⁰⁴, Mission Related Investments²⁰⁵, and Equity Equivalent Investment (EQ2s)²⁰⁶, all of which may fund top

²⁰¹ Abramowitz, Adina; Edwards, Bryony; Melford Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance Network. Pg. 4.

²⁰² Ibid. Pg. 16.

²⁰³ Ibid. Pg. 9.

²⁰⁴ According to the Internal Revenue Service, A program-related investments must significantly further the foundation's exempt activities. They must be investments that would not have been made except for their relationship to the exempt purposes. The investments include those made in *functionally related activities* that are carried on within a larger combination of similar activities related to the exempt purposes. <http://www.irs.gov/charities/foundations/article/0,,id=137793,00.html>.

²⁰⁵ According to Community Capital Management a mission related investment is the practice of using financial investments to advance a specific mission and earn financial return. Market-rate mission investments seek to achieve market or above market risk-adjusted returns while financing activities aligned with an institution's specific mission. <http://www.ccmfixedincome.com/institutional.php?category=Mission-Related-Investing&headline=MRI-FAQs#1>.

²⁰⁶ According to the Federal Reserve Bank, is a capital product for community development financial institutions and their investors. It is a financial tool that allows CDFIs to strengthen their capital structures, leverage additional debt capital, and as a

losses in the fund's risk waterfall. Investments from banks, credit unions, and savings & loans, which are the majority of the prospects for an investment pool, will be financially enhanced by bringing in equity using the New Markets Tax Credit program²⁰⁷ which will improve the internal rate of return of the investors.

Credit enhancement capital can be sought from local governmental agencies and philanthropic institutions. There are established programs where CDFIs have also provided a top loss in the risk waterfall to induce investment by conventional lenders. The loan pool will be used to bridge capital to small businesses and community facility developers such as charter schools, child care centers, job training centers and nonprofit headquarters. Some existing fund structures that exist in Los Angeles are as follows:

Fund Name	
New Generation Fund (City of Los Angeles)	Risk waterfall of losses includes CDFI's then philanthropic dollars.
Los Angeles County Housing Innovation Fund	Top loss is funded by County of Los Angeles CDBG funds.
ExED - L.A. Charter School New Markets Fund (LACSNM)	Subsidized with NMTCs, top loss by CDFIs, credit enhanced by Department of Education funds.
LIIF – Affordable Buildings Community Facilities (ABCD)	Partially funded by one foundation. Credit enhanced by Department of Education funds.

The initial objective in starting the BPO strategies is to bring bankers, community corporations, regulators, tax officials, developers and residents into coalitions²⁰⁸ to strengthen political capital with the objective of jump starting capital investments. However, at the same time, Placemaking strategies need to be implemented in order to change the risk perception of prospective investors. Another piece to reduce the risk

result, increase lending and investing in economically disadvantaged communities.

<http://www.frbsf.org/publications/community/investments/cra02-2/equity.pdf>

²⁰⁷ According to the Department of the Treasury's CDFI Fund, The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

²⁰⁸ Sleeper, Jim. Rebuilding the Ghetto Does Work. Shelterforce Online. Issue #74, March/April 1994.

associated with business lending and community facilities lending will be done by providing technical assistance programs for small businesses, developers and service providers to ensure they have an understanding of marketing, business planning, accounting, real estate development and business/financial management.

It is envisioned that a Community Development Financial Institution, a Community Development Corporation, a Community Development Entity, Small Business Investment Corporation or a Community Development Credit Union will be involved as part of the strategy to work with conventional lenders, foundations and governmental agencies to attract capital, set up the funding mechanisms and form a loan pool to execute the BPO strategies including providing loans to small and medium sized businesses (including start up entities) and community facilities. Los Angeles has about 33 Community Development Lenders including several CDFIs, several loan funds and credit unions, one venture capital group and one community development bank²⁰⁹. Approximately 11 serve the Pico Union and vicinity²¹⁰ but only one community development credit union is located within Pico Union and has a very small asset base.

The strategy to attract capital will create jobs and will prepare the future workforce which should help reduce the unemployment rate in the area, and eventually improve the socio-economic status of its residents which will have a direct effect on reducing crime since alternative forms of income generating activities are introduced. However in order to have a successful capital attraction strategy, it must include strong Placemaking strategies. Again, as explained in the Placemaking Strategy section, a successful

²⁰⁹ Abramowitz, Adina; Edwards, Bryony, Edwards; Melford, Genevieve. Community Development Finance in Los Angeles: Challenges and Responses. Opportunity Finance. Pg. 5.

²¹⁰ Ibid. Pg. 6.

Placemaking strategy needs to have a full understanding of the history and background of the BPO area in order to understand the current needs of the indigenous population.

III. Literature Review

This project is based on the idea that by providing alternatives to criminal/illicit income generating activities, the area's population will prefer to earn income from legal sources than illicit sources. This will in turn make the crime rate drop and ultimately help the population benefit from an improved stable socioeconomic status. The area also suffers from high gang activity and according to the Los Angeles Police Department of the City of Los Angeles, the area has 19 gang injunctions within the area and vicinity. In addition, the area suffers from poor academic performance education systems and high drop out rate, with most dropping out of school and only about 45% of the population completing their high school diploma.

While there are limited opportunities for jobs in the area, the area's cost of living has increased dramatically in the last ten years, because of its proximity to the L.A. Live Sport and Entertainment District, the business district, and other adjacent areas undergoing gentrification. Given the limited resources available, the high drop out rate and lack of education, the area suffers from high unemployment due to a lack of skills. Given the various issues, the literature review supports the importance of implementing a holistic approach that includes the five forms of capital – Social, Political, Cultural, Human and Economic in order to revitalize the area for the benefit of the indigenous population. The literature review includes a review of books, reports, interviews, the web and comparisons to other cities within the United States with high ethnic populations.

Community Economic Development Theorists

While there are several community and economic development theorists that have written about the topic of community economic development, the literature review that best identifies the holistic approach that project addresses are only a few. The main is Michael Porter who writes about the need to align any approaches to existing market forces. He states that the competitive advantages of the area need to be identified before planning on a revitalization strategy. This will ensure that any strategies are sustainable overtime.

Another theorist is Robert Giloth who writes about the theory of change which calls to create a holistic approach for the target population or target area. His theory strongly makes the case that this is a more sustainable approach than the easier to implement but weak individualistic approach. Another theorist that also emphasizes the importance of a holistic approach is Mihailo Temali. Temali stresses the importance of incorporating several strategies including revitalization, commercial corridor improvement strategies, job creation, micro-business creation, as well as investment in human capital.

Similar to Temali, Ivan Light & Steven Gold speak of the importance of implementing strategies that include the five forms of capital—human, political, cultural, economic, and social. While their theories are around ethnic communities, their general arguments can work on any revitalization strategy. They provide arguments of how ethnic communities thrive or wither depending on the endowment of economic, human, social, cultural and political capital. They argue of the importance of looking at ethnic communities as an economic driving force, therefore it is important that any revitalization

approaches includes a holistic set of strategies that will build the social, cultural, and political capital just as important as building on economic and human capital are.

Other theorists studied include Robert Halpern, Edward J. Blakely/Ted K. Bradshaw and William H. Simon. Halpern defines very well the meaning of social equality and how that shapes and helps defines poverty. He provides a history of the important changes around poverty and the progression of poverty and how the definition and assistance provided to fight poverty have developed over time. On the other hand, Blakely and Bradshaw provide information and argue about the importance of local economic development. They describe the issues faced by poverty stricken areas and the planning processes that have been undertaken around human and business development. Simon provides a through analysis of the strength of policy in changing and redeveloping an area, but at the same time how policy has been used to destroy communities. He argues that Policy destroys and creates community which makes it a powerful tool.

On the same vein as Simon, and Blakely and Bradshaw, is a theorist that wrote about poverty in an era that was going through many changes around discrimination and equality. Kenneth B. Clark also explains the responses of human beings when confined to depressed areas and how the problem is compounded when normal access to channels of economic mobility and opportunity are blocked. In his book he attempts to explain the effects of living in impoverished areas with limited access to services and capital. It also points out, through his interpretation of “the ghetto” what he calls ‘truths’ behind delinquency, drug abuse and addiction, infant mortality, homicide and suicide statistics and how parents emotions are affected by the life in an impoverished area with

few resources. According to the Clark, parents when confronted with the “blight of defeat” creates lack of self esteem. Delinquent behavior also creates lack of self-esteem which only contributes to the demise and the entrapment created by the ‘ways of life’ that flourish in these areas and therefore make it more difficult for its residents to overcome.

Clark has been criticized about his views of poverty; however, much of what he writes has much merit since his writings and definitions breed hopelessness which can create a downward spiral of generational poverty. While he does not speak of gang activity, some of his statements around lack of esteem are also included in more recent writings that try to explain the proliferation of gang activity. An example is the ease at which gangs easily recruits from the population within blighted areas. While it is difficult to fully describe and understand the state of mind and many, many reasons why these recruits choose to join gangs, the consequences are atrociously similar in all geographic areas which describe high crime, low educational attainment, high unemployment, blighted areas and a high death incidence among its youth. A report released by the Violence Policy Center named “Black Homicide Victimization in the United States: An Analysis of 2005 Homicide Data” by the Centers for Disease Control provides statistics that show that homicide is the leading cause of death for black young people ages 15-34. Among African Americans 15-24, 42% of all deaths were homicides, with 90% of those homicides caused by a firearm. This report contains strong data and statistics on gang murders and gang related criminal activities.

Competitive Advantage / Economic & Market Forces / Ethnic Economies

As stated in many of the community economic development theorists studied, it is important to examine the assets of a neighborhood along with the problems in order to understand a neighborhood and create a strategy that uses the assets to counter the problems. A theorist that makes the connection between community economic development and economic/market forces is Michael Porter. In Porter's "The Competitive Advantage of the Inner City", he recognizes the importance of social programs and examines how inner city based businesses and nearby employment opportunities can benefit inner city residents. It begins by emphasizing the importance that businesses must be profitable and positioned to compete in order to remain financially viable. Also because businesses must be profitable in order to be in a position to assist in any type of economic revitalization strategy that involves employing 'hard-to-employ' individuals or even just to provide entry level jobs for their particular industry.

Other Theorists that argue the importance of connecting to market forces are Glenn Yago, Betsy Zeidman and Alethea Abuyaun. They provide a history of emerging domestic markets and argue that the change in business ownership and demand for products has created a new investment opportunity which has been identified as emerging domestic markets or otherwise known as ethnic economies. While the identifying name begins with 'emerging', this type of subset has been in existence for decades. Emerging domestic markets and/or ethnic economies includes ethnic- and women owned firms both in urban or rural communities. It is estimated that emerging domestic markets receive less capital and on less advantageous terms when capital is accessed.

Yago, Zeidman and Abuyaun argue that without equal access to the financial market, these businesses will not grow to their potential. The businesses in these emerging markets have the ability to grow if the capital sources are more accessible. If the lack of access to capital for this subset is diminished, then that can spur job growth. However, business loan providers need to be educated so that the perceived risk associated with lending to ethnic groups is also diminished. According to their research, even when Latino and African American entrepreneurs secure financing, the amount of loan and or terms are inferior when compared to non-minority counterparts. Alexander Von Hoffman in his book *Block by Block* also writes about the positive changes that many times accompany the changing demographics to of an ethnic community. He argues of the need for intermediaries to be the urban revival engines by bridging capital to these areas. As emphasized by Von Hoffman, there needs to be an urban engine to deliver capital which come in the form of CDFI's, community development venture capital providers and other community development funders.

There are strong programs throughout the state that include various strategies to support both new and more established immigrants as a form of comprehensive community development strategies. According to an article from Community Investments on immigration, Chicano Por La Causa (CPLC) includes various services for its constituents. Some of the services are education, health, housing, economic and cultural development. The services address the needs of a diverse population that may sometimes be more difficult to reach because of cultural differences. For newly arrived immigrants they offer access to health and education related services while at the same time, they offer early education child care for the children. A main reason they included

early education services is because of the future contribution to the success in school for these children.

Immigration has been a contested heated issue with many studies showing both spectrums of the effects of immigration ranging from the effects of competition in labor markets, to the costs of immigrants on municipalities, to the tax revenues that immigrants contribute, to the growth in ethnic businesses that contribute to economic growth. But one item that is not debated is the fact that immigration is a significant driver of economic growth especially in gateway cities that receive many of the newly arrived immigrants.

According to Reid, assisting this population in skill building and wealth creation is a major community development tool. These demographic shifts present communities, local governments and nonprofit organizations with challenges on how to respond to the needs of this changing group. However, according to Fernandez, community development organizations are neighborhood based and resident led. They have a competitive advantage in connecting new immigrants to the socioeconomic opportunities in the form of housing, economic development, employment and civic-engagement strategies.

It has been shown by analyzing the revitalization of various blighted areas into thriving areas how new immigrants contributed to the neighborhood revitalization. Lastly, as stated by Newberger, how immigrants integrate financially into the U.S. directly impacts not just cities and states, but entire neighborhoods and communities. Therefore it is important to create access to financial systems, especially in areas that have been highly disinvested.

Placemaking / Cultural Vitality

Building on the importance stressed by many of the theorists studied around developing a holistic revitalization approach, emerges the need to assess the importance of cultural capital to create a strong sense of place which in turn can create emotions such as belonging and pride. Several theorists were analyzed to assess cultural capital and its importance in Placemaking. Placemaking is the creation of space and place by incorporating the community's cultural vitality and cultural richness of the area. Some of the theorists that have written about the concept of Placemaking are Henri Lefebvre, Dolores Hayden, Jane Jacobs, Maria Rosario Jackson and Ann Galligan.

Dolores Hayden in a *Power of Place* states that a larger conceptual framework is required to support urban residents' demand for a more inclusive "cultural citizenship". She states that it is through "an identity that is formed not out of legal membership but out of a sense of cultural belonging" that it is accomplished. She further states that this is important since identity is intimately tied to memory: both personal memories (where we have come from and where we have dwelt) and the collective or social memories interconnected with the histories of our families, neighbors, fellow workers, and ethnic communities. Therefore, urban landscapes can be cultural points of reference.

She further adds that the creation of space can be seen in both negative and positive examples. The formation of a sense of culture tied to a place can help create community, but the opposite has also occurred. Hayden states that decades of "urban renewal" and "redevelopment" that have destroyed entire blocks of communities not only has destroyed the brick and mortar but also the important collective memories of the populations that are displaced. Therefore, the sense of community also dies with it.

Therefore, as stated by Hayden, it is possible to enhance social meaning of public places that are meaningful to the indigenous populations and shows their diverse cultural heritages. She stresses the importance of developing these public spaces with public processes that recognize both the cultural and the political importance of place. She further adds that the attempt of restoring significant shared meanings for many neglected urban places first should involve claiming the entire urban cultural landscape not just its architectural monuments. Therefore, it is important to implement strategies of Placemaking in order to claim the cultural landscape.

Another Theorist is Henri Lefebvre who argues that every society in history has shaped a distinctive social space that meets its intertwined requirements for economic production and social reproduction. Lefebvre suggests that the production of space is essential to the inner workings of the political economy and the production of space begins as soon as indigenous residents locate themselves in a particular landscape and begin to search for sustenance or in a more straightforward statement – make it their home. Therefore, obliteration of space can also be used as a redevelopment tool. Lefebvre states that one of the consistent ways to limit the economic and political rights of groups has been to constrain social reproduction by limiting access to space. He further adds that when you have a significant urban public place, important to many constituencies, there is no need to divide history into academic categories like women, ethnic, or labor, categories that often trivialize and marginalize urban stories.

So if Placemaking can create feelings of attachment, belonging and pride, then it is necessary that any revitalization include the indigenous' population's history as part of the holistic approach. The concept of Placemaking is also argued by James Rojas who

states that “Architects have missed the role of people in creating a ‘place’ because they are trained to look at people as users of space”. Rojas statement adds to the point that people should be part of creating space and place. People are both users and creators of a place since “People activate settings merely by their presence”. Rojas also adds that the recognition of important cultural heritage in diverse working people’s neighborhoods can also support other kinds of community organizing—including neighborhood economic development, environmental protection, and affordable housing. So, as stated by Rojas, listening to the stories of working people in inner-city neighborhoods is the first step. Connecting the stories to reclaim the landscape as people’s history is the next.

While Hayden, Lefevbre and Rojas speak of the importance of place and space in Placemaking. Jane Jacobs emphasizes its importance around perception of safety. She states that “first, there must be a clear demarcation between what is public space and what is private space; second, there must be eyes upon the streets, eyes belonging to those we might call the natural proprietors of the street; and third, the sidewalk must have users on it fairly continuously both to add to the number of effective eyes on the street and to induce the people in buildings along the street to watch the sidewalks in sufficient numbers”. She further states that a well used city street is apt to be a safe street. A deserted city street is apt to be unsafe.

She also states that “planning for vitality must aim at unslumming the slums, by creating conditions aimed at persuading high proportions of the indigenous residents, whoever they may be, to stay put by choice over time, so there will be a steadily growing diversity among people and continuity both for old residents and for newcomers who assimilate into it”. This is the concept of cultural vitality and Placemaking.

Human Capital – Child Care / Education/ After School Center

Community Economic Development differentiates itself from Community Development with the product it delivers. The latter includes redevelopment and reduction of blight. All of which are associated with bricks and mortar and improvements to hard infrastructure. Community Economic Development includes strategies to improve the socio-economic status of populations by bringing needed resources. Those resources include the soft infrastructure needed for community revitalization. In this realm you see human capital, social capital, political capital and cultural capital. While all are important, without human and social capital, the remaining two are more difficult to deliver.

Human capital's most common form is education and learning and begins as soon as a person is born. The formal early delivery of human capital is child care and preschool which can influence a person's life for the remaining of his or her life. According to O Madrid in his report called "Brain Networks Forms Early Research Says"; he found that at birth only 25% of neural connections responsible for hearing, seeing, speech production and receptive languages are formed. By age 3, 90% of these connections are developed. So children are definitely ready by age four for quality academic child care and education.

Also, the report by Brown named "The Economic Impact of the Early Care and Education Industry in the Los Angeles County" also provides information on the need of early childhood education as a support system to reduce the unemployment propensity. This is a necessary component to include in any workforce development strategy. While it is logical to presume that local businesses need an educated workforce, it is also

important for the eventual contribution to society and also because it reduces future public spending in criminal justice and welfare assistance.

For employers it is also important because it reduces turnover and absenteeism. Children that receive quality early education enter traditional K-12 schooling more ready to learn, this is stated by Brooks-Gunn in his book named “Do You Believe in Magic? What We Can Expect from Early Childhood Intervention Programs” where he examines the impact of early education on the learning ability of children. This book supports the theory that early education childhood education improves the learning abilities of children. Brown in “The Economic Impact of the Early Care and Education Industry in the Los Angeles County” take it a step further in his report which examines the importance early child care and education industries have on Los Angeles County. Not only does it improve the economic opportunities and quality of life for families, it also prepares an educated future workforce to ensure strong economic growth.

For children, the report also states that early care education provides safe stimulating age-appropriate learning opportunities that support healthy development of children which in turn makes them more ready to succeed in school and life. This theme is also found in an article named “The Power of Preschool: Early Year Investments Yields Solid Returns” by Kathleen Reich. The report writes on the findings of one of the earliest studies which took place in 1962 which included children in the ages of 3-4 and the results of those children that participated who are now adults in their 40s. It is a longitudinal study that follows this group and reports on the benefits reaped from their time in preschool. It shows that the participants demonstrated higher cognitive skills, greater school achievement, and less use of school remedial services in early

adolescence. They also had significant higher rates of school completion and lower rates of arrests by age 20.

While education through formal systems is important, human capital delivered via generations is just as important. Research shows that involvement of immediate family is a strong predictor for the success of children. This is stated by Reynolds and Roberson in their study named “Age 21 Cost Benefit Analysis of the Title I Chicago Child-Parent Center Educational Evaluation and Policy Analysis” which is a study on the cost benefits analysis of Chicago’s Child-Parent Center Program (CPC) a school based early school age intervention for low income children that emphasizes parent involvement. Data in this ongoing study were collected from family surveys, educational records and justice systems records up to age 21. Warner in his article titled “The Economic Importance of Child Care for Community Development” describes the linkage between child care, female employment and regional economic growth. It also discusses problems with child care that affect parents’ involvement and the role in the motherhood wage gap and describes the importance of community’s work/family support system, including child care assistance.

As stated in several literatures, one of the factors that drive youth into gang activity is poor or deficient early academic behavior and lack of academic success. The report “Gang Reduction Strategy” prepared by the City of Los Angeles which studied several areas severely impacted by gang activity, explains the proposed implementation of a strategy to diminish delinquent behaviors. It also examines the cause why youth join gangs and why gang members remain in gang related crime. It states that lack of academic success is one of the major reasons why youth join gangs and why gang

members remain in gang related crime and activity; it provides information on ways to diminish the future growth of gangs by providing safe havens for children for before and after school programs and improving education. Quality Childcare/Preschool research shows that it is one of the more effective educational and social interventions for policy makers to invest in.

Economic Development/Workforce Investment

Any crime reduction and job creation strategies therefore need to look at the strength that ethnic economies can provide in creating jobs. In order to reduce youth perpetrated crime, youth employment strategies need to be developed so that youth can have opportunities available for meaningful employment opportunities. However, in order to successfully develop a workforce strategy, an analysis of the industry sectors in the area need to be understood to develop the programs to fill the skills gap that a particular population has.

The other component is to assist businesses grow so that they are profitable and are then able to hire from a trained pool of employable individuals. One last piece is to assist these businesses with increasing their social and political capital by creating roundtables which will assist businesses with sharing information on marketing, accounting, and business planning. These roundtables can more easily identify the technical assistance that needs to be provided to help the businesses acquire the skills to successfully grow. The goal is that these companies will in turn grow with the goal of creating jobs.

A study by the Aspen Institute which informs on scale and sustainability, stresses the importance of creating networks and platforms as a form to strengthen an industry or a field. It stresses that scale effects and the pursuit of scale and sustainability must be considered at the industry and sector level. It further states that the most effective way to increase the scale sustainability and impact of small organizations is by working at the industry or sector level providing services to the industry and/or sector members in the infrastructure.

Technical assistance will also be provided as part of the industry cluster platform to help the businesses acquire the skills to successfully apply for funding under the proposed place-based loan fund. The goal is that these companies will in turn grow and create jobs. According to an article in Community Investments, this can be accomplished by forging collaborations between government agencies, nonprofit organizations and local residents in order to mobilize successfully the resources and knowledge needed to tackle the problems of poverty and disinvestment. In addition, Banks have realized that by creating partnerships, their CRA investments can have bigger impact, so partnerships are embraced by Banks. They realized also that the partnerships created synergies to make a difference to support the community development strategies. Collaborative structures can contribute to sustainable and holistic community development efforts.

Financial Capital

It is important to examine the assets of a neighborhood along with the weaknesses it possesses in order to fully understand it and create a strategy that uses the assets to counter the weaknesses. In Porter's "The Competitive Advantage of the Inner City", he

recognizes the importance of delivering social programs but also examines how inner city based businesses and nearby employment opportunities can benefit inner city residents. It begins by emphasizing that in order for businesses to be part of any economic development revitalization strategy, businesses must be profitable and positioned to compete so that they can employ “hard to employ” individuals or even just to provide entry level jobs for the particular industry.

In addition to workforce strategies, the creation of child care centers, better education avenues as well as assistance to small businesses for growth will only occur if there is capital available to provide the funds to build the necessary community facilities (child care centers, charter schools, training programs, youth centers) and to assist with the permanent capital and working capital for small businesses. According to the article in Community Investments, many immigrants have aspirations for self-employment, but cultural, linguistic and financial barriers to starting and maintaining a business hinders growth of the sector. Many CDFI’s in the nation are providing services to these niche markets. For example, the Asian Pacific Islander Small Business Program has a staff that is familiar of the culture and have strong business backgrounds to offer counseling and group workshops. According to Cook Sunoo “Cultural competency is essential for developing appropriate community outreach strategies”.

IV. Project Design / Logic Model

The project's longer term outcome is a reduction of unemployment and crime by creating alternatives to illegal/illicit revenue generating activities. The longer term outcome will be accomplished through a two-prong strategy – first is Small Business Creation and growth and second is improving human capital. The first is to spur the creation and growth of small businesses to help them create entry level jobs for the local youth. The second strategy is to improve the human capital of the indigenous population so that they can improve their success at securing living wage jobs, professional level employment and/or entrepreneurship.

The longer term outcome of building human capital will be delivered through several approaches including early education child care centers, charter schools, after school programs and job skills training. Training centers will provide job training to the population based on high growth careers identified through a review of the skills gap and that are in high demand within the industry clusters located in the Los Angeles County such as manufacturing, bio-med, green/LEED industry and apparel.

In addition, human capital will be provided to entrepreneurs to induce more start up and business growth. The trainings will include modules on marketing, financing, understanding cash flow and licensing requirements, etc. This will create jobs in both the local small businesses within the BPO area and with the industry clusters that surround the Pico Union area. While the outcomes provide systems change by educating and training the workforce, the change can only be implemented and sustainable if a fund is created to fund the small businesses, community facilities (training centers, child care centers, education centers, youth centers) and non-profit investments/loans.

However, in order to attract capital from investors and partners for a placed-based loan fund, their perception of the area needs to be improved so that they can embrace the cultural richness of the area. Therefore, the outputs address the strategies to accomplish the shorter term outcomes of creating a placed based fund and engage Placemaking strategies to change the internal and external perception of the area.

For the creation of the placed-based loan fund, one of the outputs is to education potential investors in order to attract capital on the market incentives available for community lending funds. These include credit enhancements and other financial vehicles to improve the internal rate of return to investors. Financial vehicles that are available to fund or enhance the placed-based fund are New Markets Tax Credits, Program Related Investments, and Equity Equivalent Loans. It is necessary to change the perception of investors in order to ensure that funders (banks, foundations, CDFIs) view Pico Union as a low risk area for lending to small businesses and community facilities.

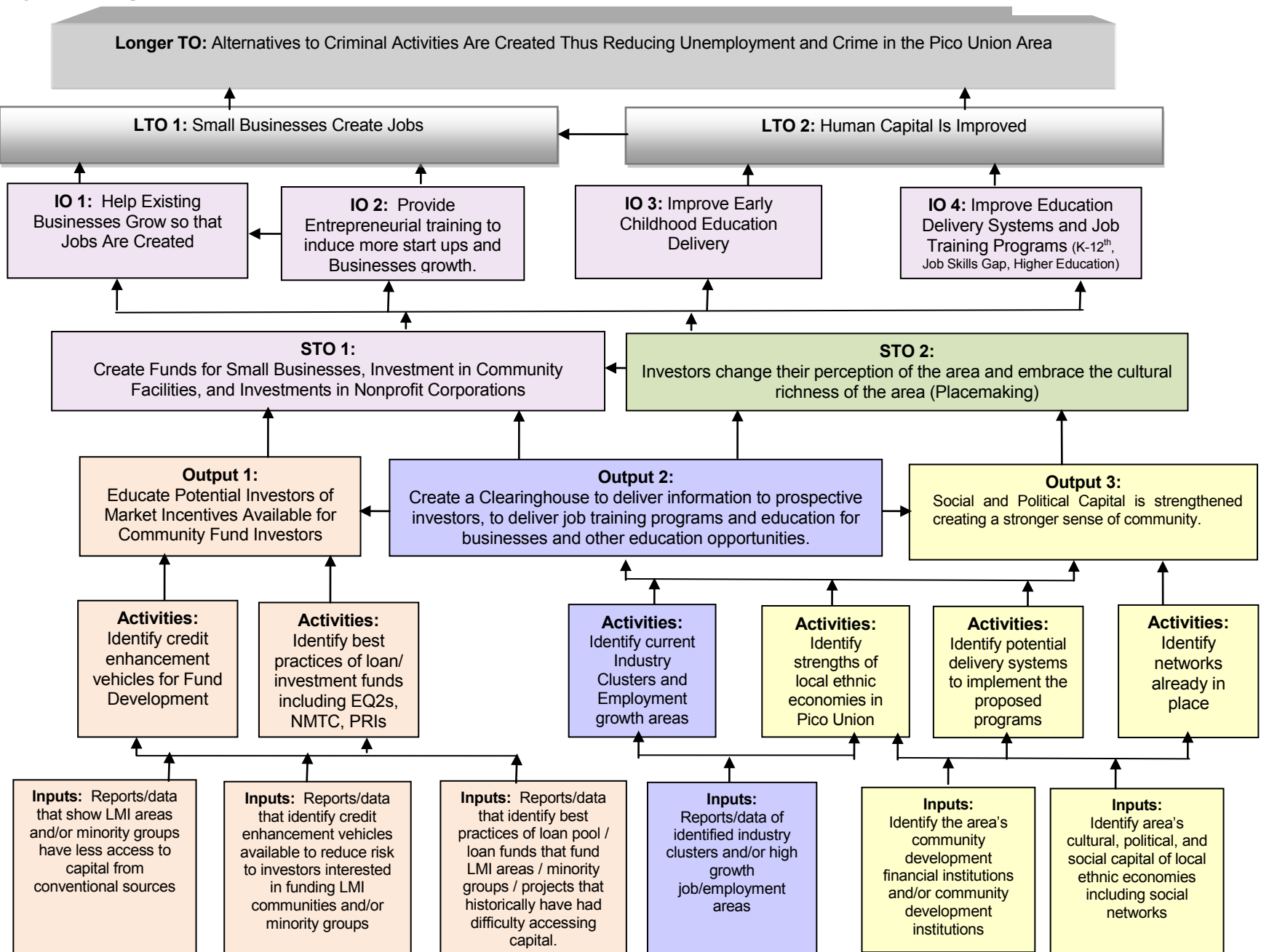
In order to accomplish the described strategies, capital needs to be infused in the area. While there has been a good amount of capital infused into the area in the form of affordable housing and short term social service programs, there has not been a substantial infusion of capital for small businesses or for programs that will assist the workforce development of the area. As mentioned before, in order to attract capital from conventional sources, certain credit enhancements need to be identified to induce the funders to infuse capital. Therefore some of the activities included are to identify credit enhancements that currently exist in the community development lending industry that have been used in loan/investment funds.

The credit enhancements and/or incentives found in already established community development funds include Program Related Investments (PRIs), Equity Equivalent Investment (EQ2s) and subordinated debt. Incentives include forming pools that include a top loss structure where a governmental entity or foundation takes a top loss or by using financial vehicles such as the New Markets Tax Credits to create incentives in the form of a higher internal rate of return. The credit enhancements will involve local governmental agencies, philanthropic institutions, and CDFIs as well as conventional lenders such as banks, savings & loans and credit unions.

In addition to establishing the loan pool, delivery systems for funders will be strengthened to ensure the capital to small businesses, developers, and service providers is delivered. In order to reduce the risk associated with business lending and community facilities lending, technical assistance programs will need to be created to assist small businesses, developers and service providers to ensure they have an understanding of marketing, business planning, accounting, real estate development, business and financial management.

However, in order to attract capital, Placemaking strategies need to be incorporated in order to change the perception that the area is not feasible for investment. The Placemaking strategies will be geared towards outside investors but the strategies will also be geared towards the indigenous population in order to increase the sense of community. This is necessary in order to strengthen the existing social and political capital of the area. After all, without a strong social and political network, it will be difficult to implement change in policy which will be needed to bring outside investment into the area.

Project Logic Model



In addition to the activities related to attracting capital, social and political capital of the area needs to be improved. Social and political capital is necessary because both social and political capital can be leveraged to bring more resources into the area which can be in the form economic capital and or other financial resources that can incentivize investors to fund into the placed based loan fund. Also, the existing social networks within the community and political capital need to be strengthened in order to demand change from the local political base who are also strong drivers to assist in bringing the resources. Therefore, economic resources for the indigenous population in the form of small business investment, community facility investments (including child care centers, charter schools, training centers, and after-school centers) and investment into nonprofits that will deliver the services, will be easier to attract if the perceived risk of the area is decreased and the real economic risks associated with the proposed lending is mitigated. The perceived risk change will be accomplished by implementing Placemaking strategies.

Strategies will concentrate on improving the graduation rates of the target group in both middle school and high school and provide educational and job skills to better prepare them for the workforce. The short term outcomes include strategies to have parents become more involved in the child's education so that parents not only become motivators and coaches with the goal to have the child graduate but also have them advocate for the success in education and workforce. It will be necessary to have parents understand the importance of having a meaningful job as a way to wealth creation so that the concept can be more easily instilled in their children.

The outputs include creation of child care centers to provide quality early child care education opportunities and creation of before and after school programs which are safe

heavens for the target group. Another output is to improve the K-12th school system through the creation of charter schools with the goal of creating systems to improve the future workforce. This will only be successful if culturally relevant parent training classes are provided so that parents learn the appropriate parenting skills.

As shown in the logic model, the increase in opportunities for the Pico Union indigenous population will also need the involvement of the business community. Therefore resources need to be provided for businesses so that they in turn have the incentives and capacity to hire from the Pico Union community. In order to bring the business community in line with the strategies presented, an understanding of the major industry clusters was done to identify the major industries that already exist in the area.

From this information a skills gap analysis will be completed so that training programs can be developed for the Pico Union population. By increasing the human capital and providing a trained workforce, the businesses in the major industry clusters will begin to view Pico Union as a community that produces an educated and prepared workforce. Ongoing job training programs will be provided to ensure that the business community has the necessary work force to help them grow. This will be accomplished by getting feedback from the major industry clusters to create the job training programs. There will also be job fairs where the businesses from the industry clusters will meet potential candidates for jobs. The skills gap will be identified by researching existing data already completed on skills gap and match youth to training opportunities.

The delivery of the services and implementation of the holistic strategy will be done by creating a clearinghouse within the Pico Union area that will assist in delivering the BPO strategies. From creation/formation of coalitions to strengthen the social and

political capital to implementing the strategies to increase investment into the area by implementing a loan/investment pool using both credit enhancements and incentives. At the same time, many of the human capital services will be initiated through this clearinghouse while creating linkages to outside education systems and existing training programs. The Clearinghouse will operate the BPO project and the placed-based loan fund and will be responsible to deliver information to prospective investors as well as deliver the human capital strategies that make up the BPO project. In addition, the assessment of the skills gap and identification of the training programs will also be done at the Clearinghouse.

V. Methodology and Implementation Plan

Project Participants/Beneficiaries

This project intends to benefit the population living in the area of Pico Union in the City of Los Angeles. The strategies for the target group will include programs to increase human capital as a strategy to reduce crime and will target children and youth ages 4 through 24 years of age. The strategies will aim to incorporate prevention strategies to reduce future gang recruitment which plagues the area and at the same time prepare the future workforce for living wage jobs.

In the area of Pico Union, about 73% of the children under the age of 18 years live in single female households (no husband). The median income is approximately \$22,681 or 40% of the 2008 HUD median income²¹¹. The unemployment rate of 16-19 year olds is about 9% and 8% for the age group of 20-24 years. This rate is similar to the unemployment rate at the City Level, but it is important to note that approximately 51% of the population is not included in the labor force compared to 40% at the City of Los Angeles level. Approximately 43% of the population of Pico Union is under the age of 25, so it is relatively a young population. Based on population 25 years and older, approximately 63% of the population has no high school diploma and 87% of the population speaks a language other than English, which places an additional barrier to education and learning.

In addition, the graduation rate is below 50% at both local high schools which is below the state level graduation rate of 83%. Only 49% of the students pass the math

²¹¹ Federal Financial Institutions Examinations Council (FFIEC). 2008. 207 FFIEC Census Report Summary Census Demographic Information. Retrieved March 2008, from <http://www.ffiec.gov/>

portion and 52% pass the English Language Arts portion of the High School Exit exam compared to 76% and 77% respectively at the state level.

Community Role

The host organization will be a coalition of nonprofit organizations. However, one organization will need to lead the coalition and will be the Clearinghouse that will establish and implement the BPO project. Three organizations have been identified and include Pico Union Housing Corporation as the Clearinghouse, the Community Development Technologies Center to assess the skills gap and work on the training programs and TELACU Community Capital as the CDFI. However, the coalition envisioned will include child care service providers, charter schools, adult education schools, parenting classes' providers, community development financial institutions, conventional lenders, foundations, and the local government agencies such as City Council, Mayor's Office, Community Redevelopment Agency of the City of Los Angeles, Community Development Department, Building and Safety and the County of Los Angeles.

The holistic strategies will be delivered in partnership with the existing local service providers of the area including the several community development financial institutions of the area. In this model, many entities that may consider themselves to be competitors will be viewed as partners since the organizational business model calls for forging partnerships with other community development lenders and conventional lenders that are serving the same target area and/or target group. Some of the entities that will be included in the initial call for partners are as follows:

I. Community Development Financial Institutions

i. Clearinghouse CDFI

- ii. CHARO CDC
- iii. Comunidades Federal Credit Union
- iv. Community Financial Resource Center
- v. Episcopal Community Federal Credit Union
- vi. FAME Renaissance Center
- vii. Los Angeles LDC, Inc.
- viii. Low Income Investment Fund
- ix. NHS Neighborhood Lending Services
- x. Nonprofit Finance Fund
- xi. Pacific Asian Consortium (PACE)
- xii. Pacific Coast Regional Small Business Development Corporation
- xiii. Pacoima Development Federal Credit Union
- xiv. TELACU Community Capital
- xv. Valley Economic Development Corporation
- xvi. Vermont Slauson Economic Development Corporation
- xvii. Women's Economic Venture

II. Community Development Entities (New Markets Tax Credits Program)

- i. Clearinghouse CDFI
- ii. Community Reinvestment Fund
- iii. ExED
- iv. Genesis LA CDE
- v. Impact Community Capital CDE
- vi. Los Angeles LDC, Inc.
- vii. Los Angeles Development Fund (City of Los Angeles)

- viii. Low Income Investment Fund
- ix. National New Markets Fund
- x. New Markets Community Capital LLC
- xi. Nonprofit Finance Fund
- xii. TELACU

III. Certified Development Companies

- i. Advantage CDC (previously known as Long Beach Area CDC)
- ii. California Statewide Certified Development Corporation

IV. Other Community Development Lenders (Consortiums, Loan Pools, Secondary Markets)

- i. Community Reinvestment Fund (Loan Purchase of Small Business and Nonprofit Loans)
- ii. California Economic Development Lending Initiative (CEDLI)
- iii. Century Housing
- iv. General Board of Pension of the United Methodist Church (Co-lending in community Facilities, Housing and Construction related structures)
- v. Self-Help Credit Union (Loan Purchase and Charter School Co-Lending)
- vi. Community Development Department of the City of Los Angeles - Section 108 Loan, Industrial and Commercial Development Division (Tax Exempt, Taxable Bonds), Empowerment Zone Bonds
- vii. Cal-PERS

V. Conventional Lenders

- i. Banks offering Small Business Administration Loans
- ii. Preferred and Certified Lenders Programs under the Small Business Administration

Other Stakeholders that will be outreached as part of the strategy to forge partnerships includes technical assistance providers, adult education/training programs and information providers that benefit the target population and/or targeted areas:

- I. U.S. Department of the Treasury CDFI Fund
 - a. Community Development Financial Institutions Program
 - b. New Markets Tax Credit Program
- II. City of Los Angeles
 - a. Mayor's Office
 - b. City of Los Angeles City Council Offices
 - c. Community Development Department of the City of Los Angeles – Tax Credits, State Enterprise Program, Empowerment Zone Program, Renewal Community Program.
- III. Small Business Assistance
 - a. Small Business Administration District Office (LADO – Los Angeles District Office)
 - b. Small Business Administration – HUBZone Empowerment Contracting
 - c. Business Information Center (BIC)
 - d. Small Business Development Center (SBDC)
 - e. SCORE (technical assistance and counseling for small businesses)
 - f. California Resources and Training (CARAT)
- IV. Think Tanks
 - a. University of Southern California – Lusk Center/Marshall School of Business
 - b. Urban Land Institute

V. Politicos

- a. Lucille Royball Allard 34th U.S. Congress
- b. Gilbert Cedillo, 22nd State Senate
- c. John A Perez, 46th State Assembly
- d. Gloria Molina, 1st Supervisorial, County of Los Angeles
- e. Ed Reyes, 1st Council District, City of Los Angeles

VI. Other Stakeholders

- a. Los Angeles Unified School District
- b. Los Angeles Community College District
- c. Los Angeles Police Department
- d. U.S. Department of Education
- e. Los Angeles County of Education

Market Segmentation Strategy

	Economic Development Goal	Nonprofit/For-Profit Developers Community Facilities	Nonprofit/Small-Med Businesses Lines of Credit
Lending Purpose	Job Creation	education, charter schools, training programs, youth centers, child care centers	Job Creation
Target Market	Targeted Business Owners	Create Charter School/Child Care Facilities	Targeted Business Owners
Impact	Physical Improvement of Target Area/Historical Preservation	Physical Improvement of Target Area	Physical Improvement of Target Area

Host Organization/Group

The host organization that will implement the BPO strategies will also take the role of a Clearinghouse where the initial strategies will be launched and implemented. Three organizations have been identified and include the Pico Union Housing Corporation as the Clearinghouse, Community Development Technologies Center as the skills gap and job training program assessor and TELACU Community Capital as the CDFI. The clearinghouse will become part of their Pico Union Economic Development and Empowerment (PUEDE) Center.

P.U.E.D.E. Center.

The PUEDE center houses many of the economic development programs established by the Pico Union Housing Corporation (PUHC). PUHC is one of the oldest grass roots nonprofit organizations still in existence serving the Pico Union area. PUHC was founded in 1971 to address the concerns of the residents of the Pico Union area. Originally formed with a decree to build affordable housing and address the needs and concerns of the Pico Union area, it has since expanded its services to include community based social programs with the goal to improve the socio-economic status of its constituency.

In addition, PUHC includes programs that help empower its residents and provides services to help it's constituency with self-sufficiency by providing job training and employing residents in its real estate development and property management departments. As part of its commitment to the improvement around economic development and human capital of the area, PUHC is in the process of implementing 16

different programs. The goal of these programs is to address the academic, economic and social needs of the area's population. Some of the main objectives include:

- Implementing a comprehensive Adult Education Program.
- Expand Post-Secondary educational opportunities to the approximate 1,200 children living in the PUHC housing stock.
- Develop innovative programs to provide social services to the Community.
- Expand and enhance outreach to the youth to address social issues affecting their living environment.
- Build coalitions and partnerships with public and private members of the community to provide a positive environment for the social and education development of the area's youth.

Currently the training programs that are offered at the center include computer skills and software training program which offers hands on training that teaches the Microsoft suite; an entrepreneurial program for artists to develop into small business owners to market and sell their self-created art; and a business development program for the local small business owners which provides classes for small business on how to start and grow small businesses. PUHC also offers a children's development center that emphasizes on sciences, music and arts; a youth module that teaches life skills, gang awareness, self image, sexual awareness, leadership development, sports; as well as job placement assistance, higher education and scholarships and counseling programs; and a senior citizen module.

In addition to services provided above, some future programs will include creating a library for the use of the community, bringing students/counselors from local universities to counsel youth on higher education, creating a program on historical preservation and green elements and creating a charter school for at-risk youth along with a child care center for teen mothers attending the school. The BPO strategy will operate out of the PUEDE center along with the existing and proposed programs.

Project Implementation / Implementation Plan:

The BPO project will be implemented in two phases. The first phase (Phase I) will include the early work that needs to be executed in order to prepare for Phase II. It will also include setting up the platforms to establish the placed based fund. Phase II is the launch and operation of the services and the placed-based loan fund. From the inputs identified in the Thesis of the BPO project, several factors were identified that will be used to implement the BPO project in two Phases.

Given the findings that were completed during the timeframe of the Thesis, Phase I of the BPO project includes the implementation of the three main outputs in the logic model to reach the short term outcomes. Phase I will include the Creation of a clearinghouse that will be the lead to 1) create the partnerships among the stakeholders of the area, 2) deliver information to prospective investors, 3) finalize the skills gap report, 4) assess which are the best high demand/high growth job training programs, 5) implement higher education counseling programs, and 6) create modules to assist small businesses in marketing, financing, cash flow, and licensing.

The Clearinghouse will educate potential investors of market incentives available for community development fund investors, will establish the structure for the placed-based loan fund and will work on attracting the capital necessary for the loan fund. Phase I will also include the implementation of Placemaking strategies to create a stronger sense of community and increase social, political and cultural capital. Implementation of Placemaking strategies to change the external perception of external parties including prospective investment partners for the placed-based loan fund.

At the same time, strategies will be implemented to increase the human capital of the population based on a longer term schedule. This includes early childhood education centers, after-school centers, and charter schools. In addition, the strategies to provide capital for training centers, early child education centers, charter schools and after school centers along with small business lending will continue to be made.

Upon completion of Phase I, the BPO project will be ready to implement Phase II, whose main component includes the deployment of capital from a placed-based loan fund that will provide investments and loans to small businesses, community facilities and non-profit organizations. The goal is that once capital is infused in the area, the intermediate outputs will be realized. It is anticipated that Small businesses will grow which will then create jobs. In addition entrepreneurship programs will be implemented to help start more small business in the local area. Existing businesses will learn how to grow their businesses and increase their earning potential. In addition, by funding training centers to provide job training on the jobs identified by the skills gap, more youth will be able to access jobs. In conjunction with funding of early education child care centers and charter schools, children will be more prepared to be successful in school which help with higher self-esteem and ultimately reduce the probability of joining a gang.

During Phase II, the Clearinghouse will continue to deliver capital into job training services as well as child care and charter schools. They will continue with their existing programs to provide job training/higher education counseling as well as provide the modules to assist small businesses in marketing, financing, cash flow, and licensing.

By improving human capital through early childhood education, charter schools and job training, the youth will have a better chance at increasing their income potential

through legitimate earning avenues. This should reduce the incidence of having to earn a living by illicit criminal activities. This project will not only reduce the unemployment rate by increasing job and business opportunities, but will reduce crime by providing alternatives to criminal activities.

Implementation Plan – Produce Pico Union Employment and Job Training Report & Create Partnerships																								
Activities	September 2008 – May 2009																					Attainment of Output		
	2008				2009												2010							
	9	10	11	12	1	2	3	4	5	6	7	8	9	11	12	1	2	3	4	5	6			
Survey existing coalitions to identify skills gaps																							Will identify the major industry clusters located in the Los Angeles Area	
Survey existing industry tables to identify skills gaps																							Will work with established industry tables of the major industry clusters	
Identify the existing services that exist to fill the skills gap																							Assess the work that is in place to address the skills gap	
Identify the existing services being offered by employment centers																							Assess the services offered to prospective employees of jobs in the identified skills gap	
Produce Pico Union employment and job training report																							Will compile findings of information gathered and analyzed above	
Identify 6 programs that are the most feasible to offer for the skills gap training programs																							From data gathered choose the skills gap that appear to be the most successful to succeed as measured by graduate numbers	
Contact child																							Partnerships/M	

care center providers, charter schools, parenting classes service providers and lenders to form partnerships																								OUs executed for child care service providers, charter schools, social service providers and lenders, lenders that serve the area
Identify the training providers that match best for the skills gap programs and form partnerships																								Meet and explain the skills gap programs and assess the program curriculum of each prospective training provider and choose three providers
Market programs through media and partners																								With the assistance of the all partners and training partners begin marketing the skills training programs
Begin the skills gap training programs																								Begin the skills gap programs
Begin having Quarterly Job Fairs																								Begin having quarterly job fairs with industry cluster businesses.

Project Staffing

The BPO project will be implemented in two phases. Phase I, will entail compiling data for the formation of a loan fund, assessing the skills gap of the population and assessing the needs of the small businesses of the area and surrounding areas. The initial phase will also include an analysis of possible vehicles available to create a fund to support the growth of small business, community facilities and service providers. The initial feasibility will be done through a clearinghouse headed by the host organization but

in partnership with the other stakeholders of the area. The clearinghouse will include an office with at least two staff. During Phase I, the staff will include the Director and one Project Manager.

During the initial 18 months in addition to assessing the feasibility for the formation of a loan pool, addressing the skills gap, assessing the needs of small businesses and implementation of placemaking strategies, the project will also include creating the partnerships for the strategies identified in the following areas:

- a) Quality Child Education Centers
- b) Charter Schools
- c) Job Training Providers – Skills Gap
- d) Business Lending entities
- e) Community Facilities Lending entities
- f) Family Counseling Services
- g) Youth Counseling
- h) Workforce Center

The partnerships formed are the initial stages to strengthen both political and social capital in order to launch the identified holistic strategies for Pico Union. In addition, partnerships will need to be forged with conventional banks, CDFIs and other community development lenders to attract the capital necessary to capitalize the fund.

In the second phase of the program which will begin between months 18-24, the program staff will work on deploying the capital from the loan fund for child care, charter schools, workforce training, small businesses and nonprofit organization. During this

second phase the staff will be increased to also include a loan officer and a loan closing/asset manager responsible for managing the portfolio of the loan fund.

Budget Detail – PHASE I:

Annual Budget – Implementation of Partnerships and Feasibility Phase of Loan Fund Creation				
Administrative Expenses				
	Accounting / Bookkeeping	\$12,500	4.3%	Bookkeeping expenses
	Copying / Printing /Office Supplies	\$11,900	4.1%	Copying, binding, office supplies, printer cartridges
	Utilities	\$9,500	3.2%	Telephone, internet access, electricity
	Travel / Mileage	\$6,500	2.2%	Mileage reimbursement
Occupancy Expense		\$36,600	12.5%	Rent
Personnel Expenses				
	Salaries	\$126,000	43.0%	\$80,000 director salary plus one full time project manager/administrative manager at \$46,000 to contact existing child care, education, social service providers and lenders to create partnerships. Job includes administrative duties.
	Fringe Benefits and Payroll Taxes	\$36,060	12.3%	Estimated at 31% of Salaries
	Consultant Expenses	\$36,000	12.3%	Financial Advisor to assess feasibility of credit enhancements such as NMTC, PRI & EQ2s and their use for a loan fund.
Initial Equipment				
	Laptop Computer	\$2,500	0.9%	Expensed equipment
	Copier/Fax/Printer	\$1,320	0.5%	Expensed equipment
Miscellaneous		\$13,944	4.8%	5% of expenses, excludes in-kind expenses
TOTAL BUDGET		\$292,824	100%	

Budget Summary - Phase I:

The Phase I budget is estimated at \$292,824 to implement the partnership strategies and to form the placed based loan fund. It includes approximately \$162,060 for salaries and related expenses or about 55.3% of the budget. An additional \$36,060 has been allocated for consultant expense to assist in establishing the partnerships with conventional banks, community development financial institutions and other community development lenders. The consultant will also assess the possible credit enhancement products such as New Markets Tax Credits, Program Related Investments, Equity Equivalent Investments, funds from the City of Los Angeles (Community Reinvestment Fund and Community Development Department) that may be available to form a credit enhancement pool to complement a revolving loan pool that will be used to fund subordinate loans in addition to loans made by lending partnerships.

The remaining \$94,764 are regular operating expenses of Phase I of the BPO project. During the second and subsequent years, it is estimated that the budget will need to increase by about 3-5% for inflation. However, the initial \$3,820 for expensed equipment (computer and copier/fax) will be deducted for subsequent budgets during years 3-5.

Budget Detail – PHASE II:

Upon the implementation of Phase II, which assumes a loan fund has been capitalized, the lending program will run under a separate unit and therefore a separate budget. This separates the programmatic/service objectives from the lending/loan fund programs.

NETWORK CDFI - ANNUAL BUDGET										
Revenues										
Loan Interest Revenue			420,000	49%	Assumes Receivables of \$5.5 million with various terms and rates. Average Amortization is 20 years with terms of 10 years and rates of 7%-8%. Includes servicing fee of participation loans with an average rate of 25 bps and outstanding participation balances of \$2.75 million.					
Loan Fees			138,000	16%	Assumes loan fees averaging 2.5% and includes on balance sheet lending as well as syndications, participations and off balance sheet lending					
Service Fee Income			12,000	1%	Includes technical assistance fees and classes (Marketing, Cash Flow Projections, Operations Projections, Permanent Working Capital Needs, Accounting, Business Plans)					
Incubator Revenue			60,000	7%	Four small business. Includes occupancy expense, insurance, administrative support and use of office equipment					
Cash Investment Interest			6,000	1%	Money Market Accounts					
Technical Assistance Grant			50,000	6%	Grant to provide technical assistance to businesses seeking financing from Small business programs of conventional banks					
CDFI Fund grant (TA program)			20,000	2%	Technical Assistance Grant for staff training and consulting services					
CDFI Fund grant (TA program)			20,000	2%	Technical assistance grant for technology and technology support services					
Operational Grants/Fundraising			125,000	15%	Various foundations					
Other			4,000	0%	Assumes late fees of a percentage of the loans					
			855,000	100%						
Less: Cost of Capital/Interest Expense			(165,000)	-19%	Average cost of capital of 3%					
Gross Income			690,000	81%						
Functional Expenses										
Advertising and Printing			30,800	4%	Includes services provided to incubator businesses					
Insurance			7,150	1%	Property and Liability Insurance					
Lease and Parking			92,000	11%	Lease includes property taxes					
Personnel Salaries			312,000	36%	Assumes Director @ \$140,000, Loan Officer @ \$85,000; Loan Associate @ \$47,000 and Administrative Assistant @ \$40,000.					
Personnel Benefits & payroll taxes			96,720	11%	Health, Dental, Vision insurance benefits					
Professional Services			58,500	7%	Includes Audit and Accounting Services and Loan Servicing					
Telephone/Internet			20,900	2%	Includes business incubator					
Other			15,400	2%	Miscellaneous					
Provision for Uncollectibel Accts			55,000	6%	Assumes uncollectibles at 1.5%					
Total Functional Expenses			688,470	81%						
Change in Net Assets			1,530	0%						

The Phase II budget during year 1 is estimated at \$855,000. The major revenue source is loan fees in the amount of \$420,000 assuming receivables of \$5.5 million with an average amortization of 20 years and rates between 7%-8%. The second highest revenue source is loan fees in the amount of \$140,000 and assumes loan fees averaging 2.5%. Incubator revenue and service fee income are \$72,000 and grants \$215,000 with the remaining earned revenue of \$10,000. The budget assumes grants of approximately \$215,000 with about ½ of the grants from the Community Development Financial Institutions Fund. The cost of funds is estimated at \$165,000 and assumes an average cost of capital of 3%.

As with most revolving loan funds, the highest expense is Personnel related expenses which is estimated at \$408,720. Approximately \$58,500 has been allocated to professional services which includes the audit cost, accounting services and loan servicing. The budget also assumes uncollectible debts of 1% or \$55,000.

VI. Monitoring Plan

Monitoring Indicators.

Phase I includes the creation of a clearinghouse that will be the lead of the BPO project. The formation of a clearinghouse is itself one of the monitoring indicators. Other indicators are:

- Create partnerships among the stakeholders of the area. ,
- Deliver information to prospective investors. The Clearinghouse will educate potential investors of Market Incentives Available for Community Development Fund Investors.
- Establish the structure for the placed-based loan fund and will work on attracting the capital necessary for the loan fund
- Finalize the skills gap report,
- Assess which are the best high demand/high growth job training programs,
- Implement higher education counseling programs,
- Create modules to assist small businesses in marketing, financing, cash flow, and licensing.
- Implementation of Placemaking strategies to create a stronger sense of community and increase social, political and cultural capital.
- Implementation of Placemaking strategies to change the external perception of external parties including prospective investment partners for the placed-based loan fund.

Indicators of Success for Phase I (years 1-2)

- a) Number of childcare center partnerships
- b) Number of charter school partnerships
- c) Number of parent training and youth counseling classes partnerships
- d) Number of training program providers partnerships
- e) Number of industry cluster business in the program
- f) Number of lenders partnerships
- g) Identification of skills gap
- h) Identification of high growth careers

Indicators of Success for Phase II (years 3-10)

Upon establishing the placed-based loan fund and deploying the capital, indicators of success will also include measurements of participants at the child care centers, training centers, charter schools, youth centers, and businesses taking modules.

- a) Number of trained participants in the skills gap programs
- b) Number of employable participants placed in jobs
- c) Amount raised for credit enhancement pool
- d) Number of loans made to industry cluster businesses and local small businesses
- e) Number of parent training and youth counseling classes partnerships
- f) Number of students that are on their way to college
- g) Number of students that enter the education system ready after completion of the quality education programs
- h) Number of charter school providing quality education

VII. Sustainability Plan

The BPO project includes two Phases. Phase I will be operated as part of the already existing Pico Union Economic Development and Empowerment Center (PUEDE) through Pico Union Housing Corporation (PUHC). PUHC, funds the PUEDE center through funds generated by its rental activities. A small portion of the monthly rent is designated for social services. Those funds are then used to fund the PUEDE center. These funds fund about 85% of the PUEDE Center budget. The rest of the budget is funded through philanthropy and grants.

Phase II of the BPO project will be an entity that is estimated to generate approximately 75% of the operating revenues with a \$855,000 budget. The rest of the revenues will be in the form of CDFI Fund grants and other operating grants from foundations. In addition, there is the possibility that some of the social services fee that is paid out of rents may be used to offset some of the expenses associated with running the placed-based loan fund.

However, given the positive impacts that the BPO projects will bring it is easily assumed that foundations will be willing to provide operational support to continue funding the loan fund and the PUEDE center. In addition, since part of the BPO project is to increase the social, political and cultural capital of the area, which in turn will leverage additional resources into the area. It is also assumed that by the time Phase II has began deploying the capital, the Placemaking strategies would have began to see positive effects for external parties.

VIII. Conclusion and Recommendations

Since the BPO project is a long-term holistic approach, the short term, intermediate and long term outcomes have yet to be realized. However, all the inputs and activities have been completed as follows:

- a) Reports and data were gathered on the Pico Union area and Westlake area that shows the acute lack of access to capital for small businesses, community facilities and social services.
- b) As part of the data gathering, an assessment of the existing financial vehicles was completed to assess which financial vehicles will work best with a placed-based loan fund. From this information several financial vehicles were identified including Program Related Investments, Mission Related Investments, Equity Equivalent Debt, and New Markets Tax Credits as well as funds from City, County and Community Development Financial Institutions.
- c) As assessment of the existing local community development loan funds was also done. From the information gathered it appears that the best structure for a placed-based loan fund is to structure a fund with credit enhancements which protect the conventional lenders, which will be necessary in order to capitalize the majority of the loan fund. The credit enhancements can be in the form of Program Related Investments, Equity Equivalent Subordinated Debt, CDFI capital, Department of Education credit enhancements, City subsidies and County Subsidies.

- d) In order to assess who the prospective capital providers may be. A review of the CDFIs of the area was made to gather information on the existing community development financial institutions and community development entities. Information was also gathered from the Small Business Administration on existing Certified Development Companies and/or Small Business Investment Companies. In addition, data was gathered on other existing revolving loan funds operated by City and County entities.
- e) An assessment of the existing industry clusters was also completed. There are several major industry clusters in a 20 mile area of Pico Union. From the assessment, a skills gap report will need to be completed to assess what are the highest jobs in demand from the industry cluster businesses. This data will then be used to establish a training program and provide training on high growth/high demand jobs. Since most of the industry clusters are from the manufacturing base, these jobs are expected to provide living wage jobs.
- f) Finally, an assessment of the existing coalitions was done to attempt to gauge the amount of social, political and cultural capital that already exists in the area. While many coalitions have been made, most are around a single issue and were not created for a holistic approach. However, there is the possibility of forging strong partnerships with many of the existing entities that operate within the Pico Union area which cover the wide spectrum of social services as well as other entities located within a 20 mile radius.

Given the findings listed above that were completed during the timeframe of the Thesis, Phase I of the BPO project includes the implementation of the three main outputs in the logic model to reach the short term outcomes. Phase I will include the following:

- 1) Creation of a clearinghouse that will be the lead to 1) create the partnerships among the stakeholders of the area, 2) deliver information to prospective investors, 3) finalize the skills gap report, 4) assess which are the best high demand/high growth job training programs, 5) implement higher education counseling programs, and 6) create modules to assist small businesses in marketing, financing, cash flow, and licensing.
- 2) The Clearinghouse will educate potential investors of Market Incentives Available for Community Development Fund Investors, will establish the structure for the placed-based loan fund and will work on attracting the capital necessary for the loan fund.
- 3) Implementation of Placemaking strategies to create a stronger sense of community and increase social, political and cultural capital and implementation of Placemaking strategies to change the external perception of external parties including prospective investment partners for the placed-based loan fund.

At the same time, strategies will be implemented to increase the human capital of the population based on a longer term schedule. This includes early childhood education centers, after-school centers, and charter schools. In addition, the strategies to provide capital for training centers, early child education centers, charter schools and

after school centers along with small business lending will continue to be made in the form of increasing business acumen and capacity.

Upon completion of Phase I, the BPO project will be ready to implement Phase II, whose main component includes the deployment of a place-based loan fund that will provide investments and loans for small businesses, community facilities and for non-profit organizations. The goal is that once capital is infused in the area, the intermediate outputs will be realized:

- a) Small business will grow which will then create jobs. In addition entrepreneurship programs will be implemented to help start more small business in the local area. Existing businesses will learn how to grow their businesses and increase their earning potential.
- b) By funding training centers to provide job training on the jobs identified by the skills gap, more youth will be able to access jobs.
- c) By funding early education child care centers and charter schools, children will be more prepared to be successful in school which will help with higher self-esteem and ultimately reduce the probability of joining a gang.

By improving human capital through early childhood education, charter schools and job training, the youth will have a better chance at increasing their income potential through legitimate earning avenues. This should reduce the incidence of having to earn a living by illicit criminal activities. The BPO project will ultimately provide alternatives to criminal activities by introducing positive avenues to earn a living. This project will not only reduce the unemployment rate by increasing job and business opportunities, but will reduce crime by providing alternatives to illicit activities.

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